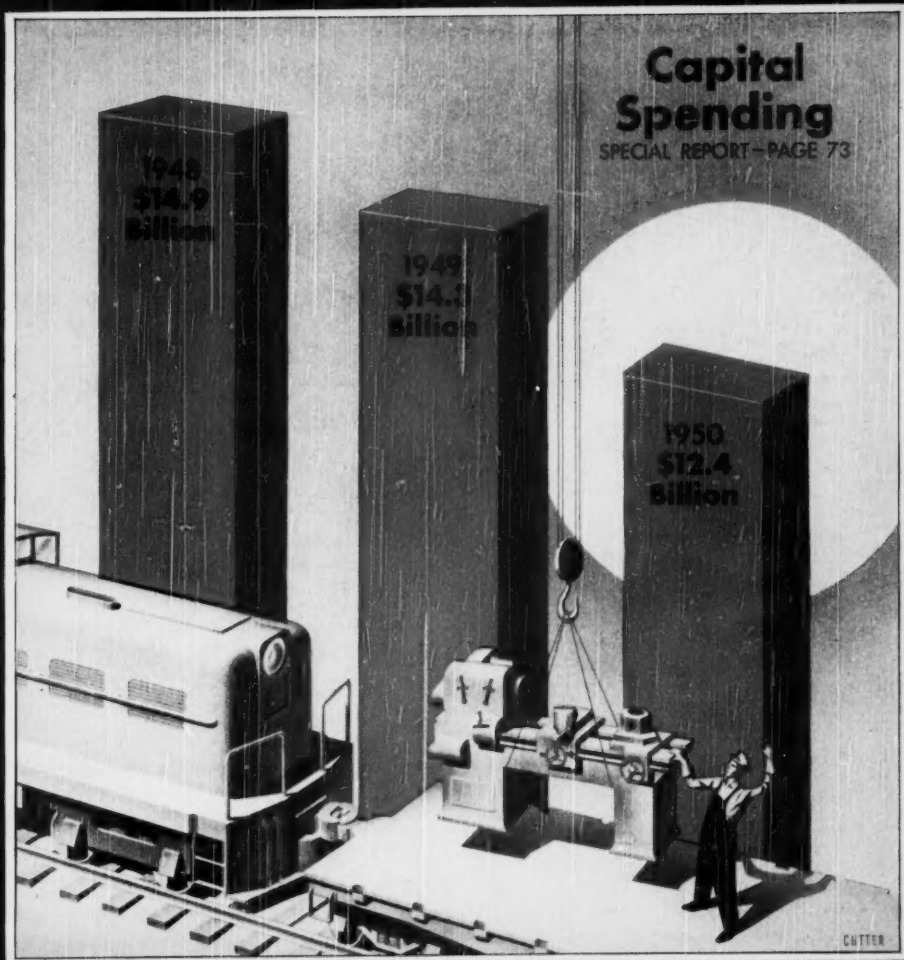


A vertical thermometer with a scale from 0 to 30 on both sides of the center. The liquid level is at 70 on the left side.



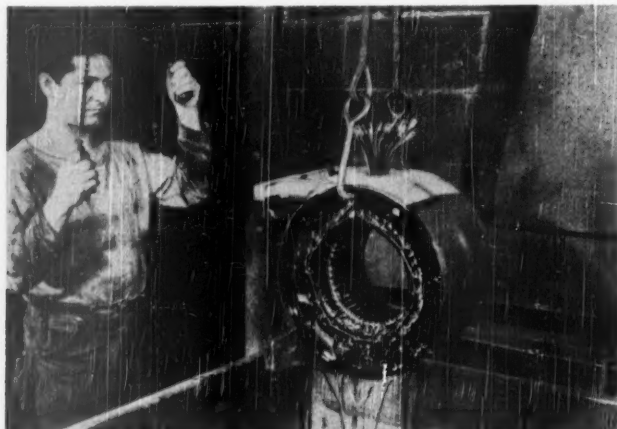
A MCGRAW HILL PUBLICATION

JAN. 21, 1950



Chemical Progress

News of developments from General Electric's Chemical Department that can be important to your business.



New! Development by General Electric of silicone insulating resins provides a new class of electrical insulation. This Class II insulation now permits continuous operation of electrical machinery at a hot spot temperature of 356F. The temperature range of G-E silicone resins is between 120F-160F above that obtained with conventional insulating materials.

G-E silicone insulating resins are being specified by manufacturers when electrical equipment is to operate at high temperatures, is subject to overload conditions, high ambient temperatures, and high humidity conditions.



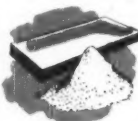
Click ...

G-E plastics clicked in this new popular-priced flash camera. General Electric molded major parts for the camera of phenolic plastics, kept costs low, yet maintained an attractive appearance that adds sales appeal to the product. G.E. molded parts for two previous

cameras for the same customer, both of which proved very popular.

Boards from Sawdust

Molding strong but inexpensive boards from sawdust is now possible by using the new G-E phenolic resin binder No. 12330. Trays, boxes, plaques and other prod-



ucts may also be produced successfully by conventional molding techniques using this low cost molding material.



G-E CHEMICAL BREVITIES

For the first time, "foaming" in many types of chemical processing is eliminated, thanks to the introduction of new G-E silicone anti-foam agents.

• • •

The first industrial chemical research laboratory in the United States was established in 1900 by General Electric.

• • •

A recently developed G-E plasticizer (No. 2557) for rubber and resin applications offers advantages of lower costs and improved characteristics over conventional types.

• • •

G-E molded plastics television cabinets are being used by two large television manufacturers in popular-priced models.

WANT MORE INFORMATION?

How can any of these G-E Chemical Department developments help you? Write for details, Chemical Department, General Electric Company, 1 Plastics Ave., Pittsfield 11, Massachusetts.

G-E Chemical Department plants at: Pittsfield, Mass.; Schenectady, N. Y.; Waterford, N. Y.; Coshocton, Ohio; Decatur, Ill.; Taunton, Mass.; Anaheim, Calif.

You can put your confidence in

GENERAL ELECTRIC

CD60-A1

PLASTICS COMPOUNDS • SILICONES • INSULATING MATERIALS • GLYPTAL ALKYD RESINS • PLASTICS LAMINATING AND MOLDING



Yours!
One finger works all this

TWIRL your Bell telephone dial and a maze of apparatus like this goes into action in the central office — puts your call through quickly, surely.

Making and installing such complex apparatus — as well as producing telephones, cables and thousands of other kinds of equipment used in your service — is Western Electric's job as manufacturing unit of the Bell System. For 68 years, we've made *good* equipment that serves long and faithfully — with a minimum of upkeep.

It makes possible the familiar miracle of clear, dependable, low cost telephone service — the kind you want and get.

• • •

• As members of the Bell System, Western Electric people who *make* telephone equipment work toward the same goal as Bell Laboratories scientists who *design* it and Bell Telephone company people who *operate* it. Our common goal is the finest service for you at the lowest possible cost.

Western Electric



A UNIT OF THE BELL SYSTEM SINCE 1882

Take a look at something wonderful **YOU CAN'T SEE!**



When you examine and admire the new models at the winter shows, you'll see many of the devices that make automobiles so dependable today. But not all of them!

You can't see the amazingly accurate New Departure ball bearings beneath the gleaming chrome and lacquer of the new cars. Located where they are, by engineers who

perform new "miracles" each year, these *ball* bearings carry the loads, lick wear and friction, and keep moving parts moving, precisely in position, for years and years.

New Departure, world's largest maker of ball bearings, welcomes the increasing acceptance by engineers of the fact that "nothing rolls like a ball."

nothing rolls like a ball...

NEW DEPARTURE BALL BEARINGS



Here's a million-dollar question:



How many
UNCOUNTED
OPPORTUNITIES
HAVE YOU... *to increase*
your product's sales?



Give a product a useful new feature... give it the ability to supply to its users exact facts-in-figures on its performance or production... and you apply a powerful booster to sales.

This has been proved to manufacturers in almost every industry who have built Veeder-Root Counters into their products as integral parts, to count everything from coins inserted to parts produced. Few counter uses are alike... many were not apparent at all until a

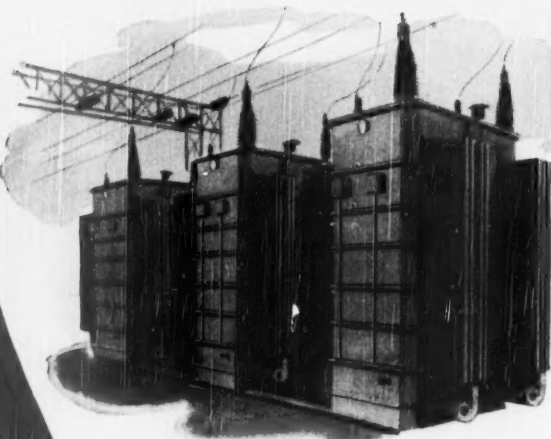
Veeder-Root engineer was called in to see if he could figure one out. And today, it's worth anyone's time to find out if he can count his way to new sales (*perhaps even new markets*) with the competitive selling advantages gained by built-in Veeder-Root Control. How about *your* products? Write.

VEEDER-ROOT INCORPORATED, HARTFORD 2, CONNECTICUT
*In Canada: Veeder-Root of Canada, Ltd., 955 St. James Street,
Montreal 3. In Great Britain: Veeder-Root Ltd., Kilspindie Road,
Dundee, Scotland.*

Veeder-Root

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There is Wire!



If you manufacture generators, or transformers, or other equipment that serves the power industry, you entrust the service life of your product to WIRE. Belden Manufacturing Company provides magnet wire, lead wire, braided and stranded cables, and many other specialized wires for these applications.

Backed by over 40 years of know-how and pioneering research, Belden products fill your most critical requirements. Making the right wire to meet your needs is Belden's Business.

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plus protection
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BUSINESS WEEK

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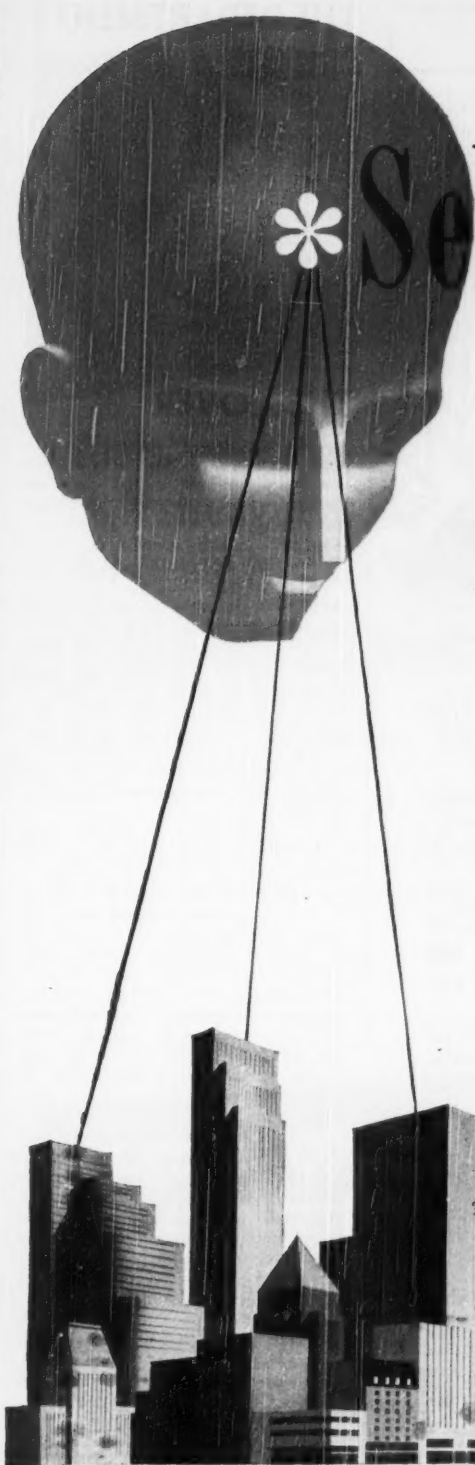
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BUSINESS WEEK • Jan. 21, 1950



THE MASTERMIND OF THE NEW ERA FOR ELEVATORS

Selectomatic

Selectomatic is an ingenious electrical intelligence with a nervous system that is alert to every floor in a building. It automatically registers all service calls . . . it instantly reacts to answer those calls . . . it continuously regulates the entire elevator bank and automatically matches elevator service to the varying traffic patterns.

Controlling a bank of elevators is no longer a fumbling hand proposition—an operation involving a “starter” who stands in the lobby of a building and makes frantic guesses at when to send which cars where.

This old method, known as signal control, was once adequate, but it hasn't a chance against quick-changing traffic demands in a modern multi-floor building. Solving today's elevator problems calls for a mastermind—and that calls for Westinghouse Selectomatic.

See how you and your tenants can enjoy the benefits in this new era of elevator control. Send for Book B-3597 for the complete story of Selectomatic—Science's Greatest Achievement in Elevator Transportation. Write Dept.A-1, Elevator Division, Westinghouse Electric Corporation, Jersey City, N. J.

J-98555

YOU CAN BE SURE...IF IT'S

Westinghouse

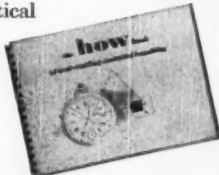
He's Been Asking For This...



\$44 TO UNLOAD a boxcar of sacks is a lot of money. \$7 is \$37 less. Quite a saving. And that is exactly how much this handling cost was cut at a grocery warehouse after a fork truck took over the job.

Maybe you don't handle bags, pails, barrels or cartons in your business. Maybe you have sheet steel, wire, parts or paper to hoist or haul around and stack in your plant. But whatever you make, use or distribute, it is certain that material handling is essential to your operation.

Handling adds nothing but costs to a product. Eliminate wasteful rehandling and you cut that cost tremendously. Thousands of management men are proving it every day. Many of them learned how after studying *The HOW Book of Cost-Cutting Material Handling*, a practical guidebook prepared by Yale especially for economy-minded executives. Get your copy. Write to The Yale & Towne Manufacturing Company, Dept. X-11, Roosevelt Blvd., Philadelphia 15, Pa.



INDUSTRIAL DIAL SCALES • HOISTS—HAND AND ELECTRIC • TRUCKS—HAND LIFT AND POWER

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THE COVER

The downtrend in capital expenditures that began in late 1948 is still a downtrend. A look at the chart on BUSINESS WEEK'S cover this week shows that clearly.

- In 1949 industry spent \$14.3-billion on new plant and equipment. In 1948 it had spent \$14.9-billion.

- In 1950 industry plans to spend \$12.4-billion.

This prediction comes from the third annual McGraw-Hill survey of capital spending plans. Beginning on page 73 of this issue, an eight-page Special Report to Executives details the findings of this survey. These are highlights:

- While capital expenditures are still slipping, the drop promises to flatten out this year.

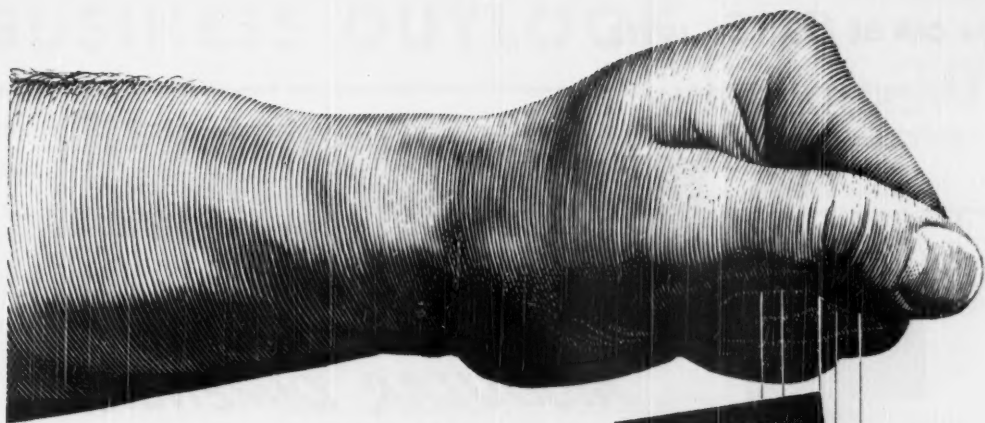
- Not all companies are cutting. And many industry totals show only a small decline from the 1949 spending rate.

In 1948 the McGraw-Hill Dept. of Economics released its first survey of capital spending plans. Up to that time no accurate forecast of capital outlays had been available. Yet many businessmen had long felt a need for accurate, advance information of industry's plans for new plants and equipment. Without such information their own sales forecasters had only a hazy notion of what might happen to one of the main components of the business picture.

The purpose of the McGraw-Hill survey is to fill this gap. It is designed to give businessmen accurate, comprehensive figures on industry's capital expansion plans—in advance. These figures not only measure the need for new plant and equipment; they also serve as a useful indicator of general business conditions in the year ahead.

The new McGraw-Hill survey, reported this week, provides business with the first estimate made by any agency, public or private, of industry's capital spending plans for 1950.

—Special Report to Executives, Industry's 1950 Capital Spending Plans, begins on page 73. Cover chart by James Cutler.



The sinews that give V-belts high strength at low cost are ready to work for you

Du Pont Cordura® High-Tenacity Rayon is building greater strength and efficiency into V-belts—and doing it at lower cost.

Users of V-belts reinforced with "Cordura" have found they have fewer take-ups . . . less maintenance . . . longer life, and practically no worries about "stretch."

The application possibilities of "Cordura" are almost limitless. "Cordura" yarn is engineered to give far greater inherent strength and uniformity than natural fibers commonly used. Too, each strand of "Cordura" is made up of continuous filaments—has no short pieces to slip under strain.

Because of its superior strength, manufacturers can reduce the size of the strength-sections of their products when they reinforce with "Cordura." They save raw material costs—make better products, too.

• REG. U. S. PAT. OFF.

**DU PONT "CORDURA"
HIGH TENACITY RAYON**

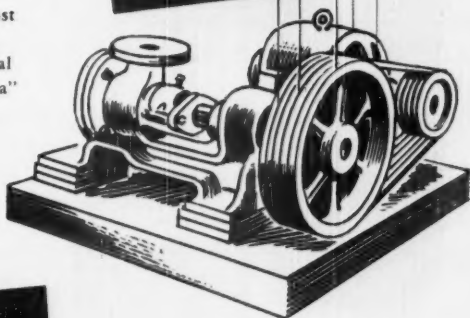


BETTER THINGS FOR BETTER LIVING . . . THROUGH CHEMISTRY

**STRETCH
VIRTUALLY
ELIMINATED**

**LESS
MAINTENANCE
COSTS**

**MORE POWER
LONGER LIFE**



Let us help you profit with "Cordura"

Write for your copy of the informative booklet "Sinews for Industry That Offer You High Strength at Low Cost." It contains exhaustive data on "Cordura's" physical properties . . . describes how industry is now using "Cordura." We'll also be glad to give you a detailed analysis of the "Cordura" application you have in mind. Write Rayon Division, E. I. du Pont de Nemours & Co. (Inc.), Wilmington 98, Delaware.

for RAYON . . . for NYLON . . . for FIBERS to come . . . look to DU PONT

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... the greatest advancement in
"PLUG IN" control center design

STANDARDIZED MODULAR DIMENSIONS

for unmatched flexibility

No other control center gives you so much flexibility as the new Westinghouse design. Standardized, modular dimensions are the source of this important advantage.

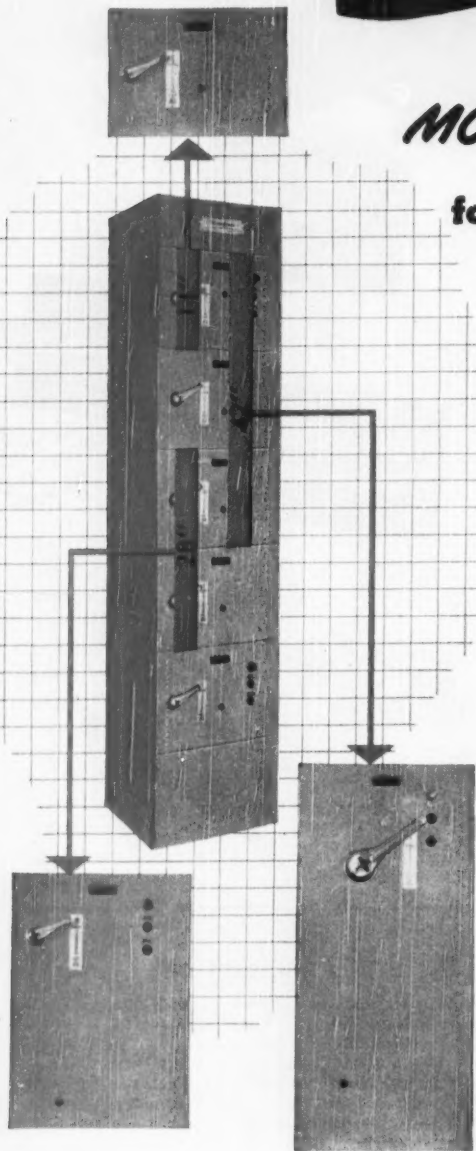
Vertical structures of standard width and depth are 76" or 90" in height. Starter units are 14" high or in multiples of 14". This modular design permits many combinations of starter units in single vertical structures. It provides for simple interchangeability between large and small units to meet changing requirements.

The new Westinghouse design also provides for back-to-back mounting without increasing depth. This permits a greater number of starter units to be installed in each vertical structure. To meet growing control requirements, additional vertical structures may be added to the group already in service.

Consider all the advantages of this new control center!

New Magna-Grip "plug-in" connectors for greater operating simplicity; a large vertical wiring trough for greater wiring convenience; interlocking handles and "tilt position" disconnect for extra safety. These are random examples. The complete story is in Booklet B-4213. For your copy, write to Westinghouse Electric Corporation, P. O. Box 868, Pittsburgh 30, Pennsylvania.

J-21545



Westinghouse
**CONTROL
CENTERS**



BUSINESS OUTLOOK

BUSINESS WEEK

JANUARY 21, 1950



Something that looked more than a little like a national emergency was shaping up in coal this week.

This fact isn't changed by President Truman's refusal to admit it.

As early as Tuesday, Crucible Steel announced a 25% curtailment at its Midland (Pa.) works for lack of coal. Duquesne Light (Pittsburgh) warned industrial customers of a power cutoff by weekend. And home-heating coal was dangerously short in many parts of the country.

Shortage of coal is a main reason for record demand on the electric light and power industry.

Last week's power output topped 6-billion kwh.—highest ever.

If you don't know the seasonal pattern for power, that may not sound like so much. But electric output always hits its year's peak in the last full week before Christmas—long nights, Christmas lighting, etc.

Now, in mid-January, we are topping the record set in December.

Cold weather in many parts of the country contributed. Electric space heaters and blankets worked overtime.

Whopping gains in electric use over a year ago were reported on the West Coast, in the south-central states, in New England.

Recurrent labor unrest in coal means a revolution in home heating.

Already sales of oil and natural-gas units are booming (BW-Jan. 14/50, p10). Today's coal trouble will just add zip to the trend.

But don't sell coal's future short. Even in this atomic age, it is our only almost inexhaustible source of cheap energy.

Worldwide, the theoretical atomic potential about matches coal. But, within the U. S., there is as yet no visible supply of fissionable material to touch our coal reserves.

Steel production wouldn't go down much this week—or even next—if no coal at all were mined. Most mills have pretty good fuel piles.

Operations, as this week started, were scheduled at 98.2% of capacity. That's the highest since April of last year.

Don't be surprised next week when you learn that steel operations are down a few percentage points. You won't lose any steel.

In fact, this week's operating rate was lower than the first posted percentage figure—without any change in tonnage output. It happens every year; here's how and why:

The industry figures its capacity only once a year. This week, the American Iron & Steel Institute added up the totals, company by company; capacity came to 99,392,800 tons, up 3,271,870 in a year.

On the old capacity figure, this week's operations were at 98.2%; but on the new figure, the true rate is 95%. But, either way, the week's output remains 1,810,000 tons.

Steel capacity now is up almost 10-million tons since the end of the war (after subtracting the over-age stuff retired after the shooting stopped).

And the American Iron & Steel Institute believes, at just under 100-million tons a year, we top all the rest of the world by 11-million.

Auto output won't completely meet pent-up demand—particularly in

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
JANUARY 21, 1950

lower-priced cars—until about midyear. Then it will be a replacement market. So says Dr. Rufus S. Tucker, General Motors' economist.

He figures there are nearly 10-million families able to buy 11½-million new cars. (New-car buyers, prewar, are believed never to have numbered more than about 7-million; others bought used cars.)

And Tucker's figures open an interesting speculative vista of the annual market for new autos at present levels of personal income.

Suppose each of 11½-million cars were replaced every 2½ years. That would mean more than 4½-million new autos a year. Add a conservative three-quarters of a million trucks and you have nearly 5½-million units a year.

•
Here are the reasons that retailers wound up the holiday season with so little surplus stock.

They entered December with inventories off more than \$800-million—about 5% lower than a year earlier. Dollar sales in December ran about even with the year before; unit volume was the highest ever.

Merchants in consumers' soft-goods lines were particularly conservative on inventories. They entered December with stocks worth \$9.6-billion; that was nearly \$700-million below the 1948 level.

In hard goods, stocks were \$5.6-billion, down about \$145-million.

•
Textile mills' rush to catch up with demand is reflected once again in the cotton consumption rate in December.

Domestic use is put at 734,013 bales by the Census Bureau. That compares with 675,466 a year earlier.

Use in the final 1949 quarter was about 2,230,000 bales. That's at an annual rate of about 9-million bales—a very satisfactory clip by anybody's standards.

•
Even large consumption of cotton in this country and good exports can't disguise the character of the surplus.

Yet larger-than-expected exports are a help. August through November, first four months of the cotton season, saw 1,227,672 bales sent abroad against 959,988 a year earlier.

The outlook, nevertheless, is clouded by cuts in European aid.

•
Longer and stronger cotton fiber. That's one of the ways King Cotton hopes to stay in the race with competitors such as rayon.

Dept. of Agriculture experts already have a hybrid, now in its seventh inbred generation. It is described as having a staple length of 1 3/32 in. and unusual cell-wall thickness.

Drawback: Only a very small amount of seed is available so far.

•
It's about time for those Italians who were going to make a wool substitute out of milk to reappear. The world situation in wool really is beginning to look desperate.

Britain has spun through its wartime accumulation of wool. Our output has fallen to the lowest on record.

Markets in Australia and New Zealand are getting panicky.

Wool, which sold in New York below \$1.60 a lb. just after British devaluation, was around \$1.85 this week.



WE KNEW YOU'D LIKE TYCOON

(but never dreamed how much!)



The TYCOON

Trade Mark

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The Lady TYCOON

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The Lady TYCOON... New "Television Indexing" banishes slips and strips forever—makes transcribing simple as looking into your compact. Saves retyping, time, trouble. Effortless, easy operation. No hair-rumpling headband needed.

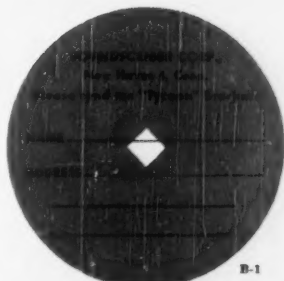


THANKS, BUSINESS! Your rousing welcome for TYCOON and Lady TYCOON is music to our ears. You praised their beauty and efficiency... their bell-like clarity... complimented their compactness, portability, economy... their effortless operation and versatility. No other system, you said, does so much so well or so completely answers *all* your dictating needs. One further word to busy men and their secretaries: learn all TYCOON can do for you. Mail the coupon, or call your SoundScriber man today.

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B-1

230 Sales and Service
Centers Coast to Coast

21 Smart ideas

ONLY FORD GIVES YOU A CHOICE OF V-8 OR SIX

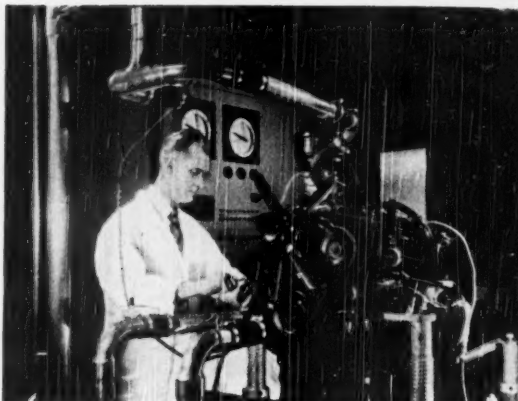
The Ford Truck line for 1950 gives you new models, new power, new features . . . 21 smart ideas in all, to help cut trucking costs.

NEW MODELS like the F-3 Parcel Delivery, which expand the 1950 Ford Truck line to over 175 models. This wide selection means that you should see your Ford dealer for the right truck for you, no matter what you haul.

NEW POWER like the brand-new 6-cylinder "Rouge 254" truck engine. Thus, for 1950 you have a choice of four great engines, two Sixes, and the only two V-8's in trucking. Only Ford gives you a choice of V-8 or Six.

NEW FEATURES like the full air brakes now available on the 1950 F-8 Big Jobs . . . new Million Dollar Cab seat construction . . . new Synchro-Silent transmissions . . . new features that make driving safer and easier.

New models! New power! New features! You'll find all these smart ideas in Ford Trucks for 1950. And you'll find the smartest idea of them all . . . Bonus Built construction which means big reserves of strength and power. That's why a 1950 Ford Truck is the smart buy for you. Your Ford Dealer can arrange quick delivery on most models. See him today!



★ **NEW 110-HORSEPOWER SIX!** The new "Rouge 254" makes the 1950 Ford F-6 the most powerful 6 cylinder truck Ford has built. The ultra-modern "254" has Free-Turn exhaust valves, Autothermic pistons, chrome-plated top piston ring, High-Lift camshaft, and many other power-producing, cost-saving, smart ideas. ★ A brand-new 4-speed Synchro-Silent transmission is standard equipment with the new "254" engine.



Model F-2; 5,700 lbs. G.V.W.
Express or Stake



Model F-1; 4,700 lbs. G.V.W.
Panel, Pickup or Stake



Model F-3; 6,800 lbs. G.V.W.
Express or Stake



Model F-5; 14,000 lbs. G.V.W.
Wheelbases: 134, 158 and 176 in.



Model F-4; 10,000 lbs. G.V.W.
with Duals



Model F-3 Parcel Delivery
Wheelbases: 104 and 122 in.

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Only Ford gives you a choice of V-8 or six-cylinder engine design.

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Ford Trucks Cost Less Because—

for 1950!★

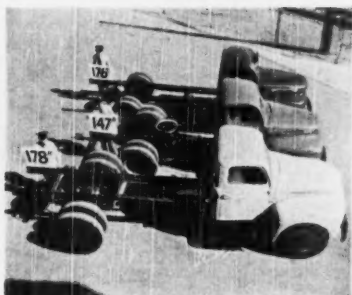
-IN A FULL LINE OF OVER 175 TRUCK MODELS!



★ **NEW F-7 REAR BRAKES!** Big 15" x 5" aluminum shoes. Double cylinder, hydraulic booster, self-energizing type.



★ **NEW AIR BRAKES** available on the Ford Model F-8 Big Job combine smooth flexibility with immediate, positive action.

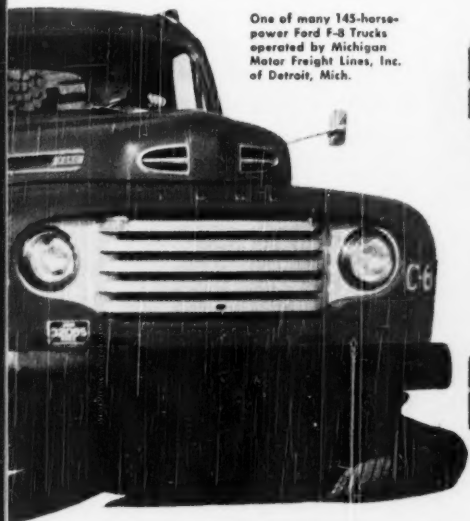


★ **NEW WHEELBASES!** Three of them for 1950 Ford Trucks. Models F-5 and F-6 now have a 176-in. wheelbase for bodies in the 15-ft. range. The 145-horsepower Ford Big Jobs have added two new wheelbases to get a total of five. First, a 147-in. wheelbase for tractors and dump trucks. Second, a 178-in. wheelbase for 15-ft. bodies.



★ **NEW PARCEL DELIVERY!** Forward control chassis with grille, windshield and quarter-windows. You add your choice of bodies. Available in Series F-3 and F-5. (Special order.)

★ New single-speed rear axle for F-8 ★ New extra-heavy duty clutch with "254" engine ★ Million Dollar Cab ★ Air Wing door glass ventilators ★ Coach-type seat comfort ★ New Double Channel frame for Big Jobs ★ Gyro-Grip Clutch ★ New single-speed axle for F-6 ★ Roll Action Steering ★ New extra-heavy duty drive line for F-6 ★ Quadrex rear axles ★ 4 engines—Choice of V-8 or Six ★ New heavy duty, 3-speed Synchro-Silent transmission available for F-1 to F-3 ★ Choice of over 175 models ★ Bonus Built construction.



One of many 145-horsepower Ford F-8 Trucks operated by Michigan Motor Freight Lines, Inc. of Detroit, Mich.



Model F-5 Cab-Over-Engine
14,000 lbs. G.V.W.



Model F-5 School Bus Chassis
Wheelbases: 158 and 194 in.



Model F-6 Cab-Over-Engine
16,000 lbs. G.V.W.



Model F-6; 15,500 lbs. G.V.W.
Wheelbases: 134, 158 and 176 in.



Model F-7; 19,000 lbs. G.V.W.
35,000 lbs. G.T.W.



Model F-8; 21,500 lbs. G.V.W.
39,000 lbs. G.T.W.

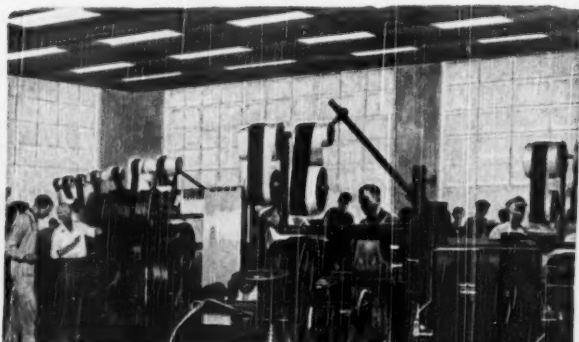
FORD TRUCKS LAST LONGER

Using latest registration data on 6,106,000 trucks, life insurance experts prove Ford Trucks last longer

Silent partner in progress

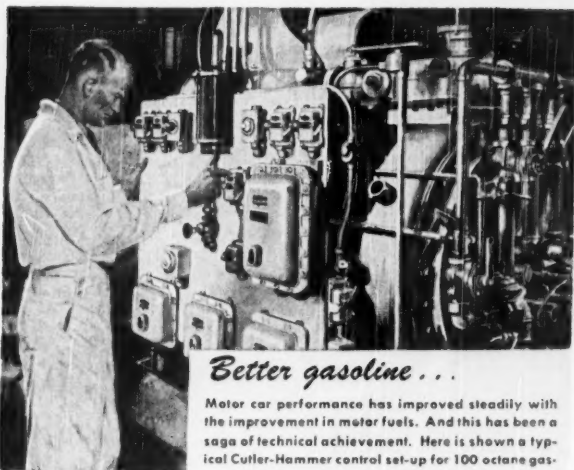
Better cars...

Cutler-Hammer engineers have worked continuously with automobile builders to effect production improvements and economies. Here is shown one of the earliest automatic welding control installations, a Cutler-Hammer "first".



Better tires...

In the rubber industry it has been the same story; better methods, better products and better controls. Here is one room of 36 heavy duty tire building machines, all fully equipped with Cutler-Hammer controls.



Better gasoline...

Motor car performance has improved steadily with the improvement in motor fuels. And this has been a saga of technical achievement. Here is shown a typical Cutler-Hammer control set-up for 100 octane gas-

Year after year America's factories stride ahead giving this nation things that amaze the entire world, spectacular new developments or vastly improved products within the reach of the many rather than the few. Such achievements are often the result of new processes or methods in which electric control equipment plays a vital role. It may be a matter of timing to less than 1/100th part of a second, the interlocking of numerous functions, the automatic regulation of speed, pressure, torque, or a dozen other variables. The list of such things control equipment is asked to do is almost end-

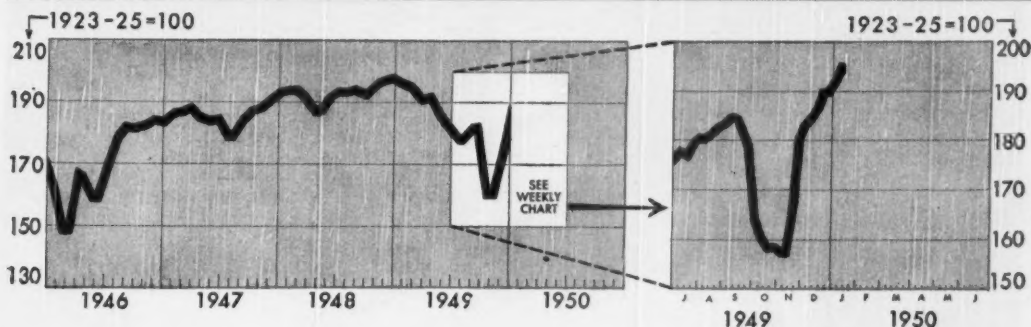
Cutler-Hammer general purpose motor control is recommended by a majority of all electric motor manufacturers, is featured as standard equipment by machinery builders, is carried in stock by recognized electrical wholesalers everywhere.



less. And yet it is often that in the proper doing of these things, yesterday's dreams become today's production miracles.

Cutler-Hammer Motor Control, quite naturally, is frequently involved in these epic achievements. For more than fifty years this product of highly specialized engineering experience has held the respect of the technical men in all industries. The experts insist on Cutler-Hammer Motor Control. Do you? CUTLER-HAMMER, Inc., 1275 St. Paul Avenue, Milwaukee 1, Wis. Associate: Canadian Cutler-Hammer, Ltd., Toronto.

FIGURES OF THE WEEK



Business Week Index (above)

PRODUCTION

	\$ Latest Week	Preceding Week	Month Ago	Year Ago	1947 Average
Steel ingot operations (% of capacity).....	98.2	97.2	94.5	100.1	97.3
Production of automobiles and trucks.....	155,164	116,768	86,226	112,587	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)....	\$34,815	\$33,603	\$33,196	\$17,990	\$19,433
Electric power output (million kilowatt-hours).....	6,029	5,695	5,997	5,727	3,130
Crude oil and condensate (daily average, 1,000 bbls.).....	4,926	4,927	5,000	5,482	3,842
Bituminous coal (daily average, 1,000 tons).....	1,126	1,127	1,542	1,931	1,685

TRADE

Miscellaneous and L.c.l. carloadings (daily average, 1,000 cars).....	65	64	68	73	86
All other carloadings (daily average, 1,000 cars).....	40	40	43	48	52
Money in circulation (millions).....	\$27,311	\$27,551	\$27,701	\$27,919	\$9,613
Department store sales (change from same week of preceding year).....	-25%	-3%	-4%	+8%	+17%
Business failures (Dun & Bradstreet, number).....	207	161	161	127	228

PRICES (Average for the week)

Cost of Living (U. S. Bureau of Labor Statistics, 1935-1939 = 100), Nov....	168.6	168.5	172.2	105.2
Spot commodity index (Moody's, Dec. 31, 1931 = 100).....	350.8	349.9	346.0	390.6
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)....	223.1	223.7	223.1	279.3
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)....	298.9	300.4	297.0	307.4
Finished steel composite (Iron Age, lb.).....	3.837¢	3.837¢	3.835¢	3.720¢
Scrap steel composite (Iron Age, ton).....	\$26.42	\$26.42	\$26.92	\$40.92
Copper (electrolytic, Connecticut Valley, lb.).....	18.500¢	18.500¢	18.500¢	23.500¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$2.21	\$2.23	\$2.22	\$2.27
Sugar (raw, delivered New York, lb.).....	5.75¢	5.70¢	5.75¢	5.70¢
Cotton (middling, ten designated markets, lb.).....	30.88¢	30.90¢	30.41¢	32.55¢
Wool tops (New York, lb.).....	\$1.835	\$1.815	\$1.740	\$1.692
Rubber (ribbed smoked sheets, New York, lb.).....	18.30¢	18.48¢	17.66¢	19.20¢

FINANCE

90 stocks, price index (Standard & Poor's Corp.).....	133.1	135.3	131.8	121.9
Medium grade corporate bond yield (Baa issues, Moody's).....	3.23%	3.24%	3.29%	3.47%
High grade corporate bond yield (Aaa issues, Moody's).....	2.56%	2.57%	2.58%	2.71%
Call loans renewal rate, N. Y. Stock Exchange (daily average).....	14-13%	14-12%	14-11%	14-10%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	14-12%	14-11%	14-10%	14-9%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	48,140	47,975	48,652	47,519
Total loans and investments, reporting member banks.....	67,357	67,222	67,574	62,596
Commercial and agricultural loans, reporting member banks.....	13,857	13,851	13,882	15,415
Securities loans, reporting member banks.....	1,832	2,128	2,455	1,772
U. S. gov't and gov't guaranteed obligations held, reporting member banks....	37,920	37,514	37,409	33,324
Other securities held, reporting member banks.....	5,055	5,035	5,035	4,185
Excess reserves, all member banks.....	1,090	1,450	920	987
Total federal reserve credit outstanding.....	18,644	19,471	18,731	23,193

*Preliminary, week ended Jan. 14.

†Revised.

‡Date for "Latest Week" on each series on request.

††Estimate (BW—Jul. 12 '47, p.16)



IN EMERGENCY OPERATIONS lights must not fail. To assure dependable lighting, at all times, many hospitals are equipped with Exide Emergency Lighting—a safe, sure source of power that's also used in many schools, theaters and other buildings where crowds gather.



KNOCK 'EM DOWN is the way wreckers do it today... with a hefty iron ball swung by the boom of a crane. Many big cranes, bulldozers, trucks and other huskies used for demolition and construction depend on powerful Exide Batteries to crank their hard-to-start Diesel engines.



FIRE-FIGHTING is always a race against time. An important time-saver is the fire alarm system. It must work at all times. Many Exide Batteries are used in this service, plus thousands of others for starting fire-fighting equipment.



HIGH TENSION. Hot wires above. Cold earth far below. A hard climb between. But it's all in the day's work for the men who maintain electric power lines. In the central station that feeds these lines, many Exide Batteries are used for vital operations.

Exide Batteries serve you night and day wherever you are. Practically every type of product is handled by Exide-powered battery electric trucks. Coal used by industry, railroads and in homes is moved underground by mine locomotives,

trammers and shuttlecars powered by Exide Batteries. Railways use Exide Batteries for car lighting, air-conditioning, Diesel locomotive cranking, signal systems. Many thousands of Exides are used in telephone and telegraph service, in

radio and television broadcast, in aircraft, on ocean vessels. And on millions of cars, trucks and buses, they daily prove that "When it's an Exide, you start."

THE ELECTRIC STORAGE BATTERY CO.
Philadelphia 32

Exide Batteries of Canada, Limited, Toronto

Exide* BATTERIES HAVE PROVED THEIR DEPENDABILITY IN VITAL SERVICES FOR 62 YEARS. •Reg. Trade-mark U.S. Pat. Off.

WASHINGTON OUTLOOK



TRUMAN'S FIVE-YEAR PLAN for business is getting clearer.

There's dream-stuff in it, and politics, too. But there is also an expansion goal, toward which the Administration will try to nudge business.

Here is what the Truman advisers are promising by 1955—if government and business play it their way:

- 64-million jobs—up 4-million from the 1948 top. That would make a tight labor market, with unions in a strong bargaining position on wages and other working conditions.
- Industrial output in the range of 210 to 220 on the Reserve Board index. Peacetime peak was 195 in 1948.
- Money left in people's hands after taxes would zoom, maybe hit \$225-billion. That's a \$35-billion rise and would push up demand for goods.
- Housing starts would be around the 1.5-million level—50% over the record set in 1949.
- Private investment wouldn't rise so dazzlingly. It might reach \$43-billion, including home buying and plant and equipment, from today's \$35-billion to \$40-billion.
- Farm products demand would climb about 10% higher than now, to meet higher living standards.

You may be invited to Washington to hear all this explained and to discuss how the goal can be attained.

A big get-together of businessmen, labor men, and farmers with government men is in the making. The invitation list hasn't been drawn, but the plan is to represent all interests. The meeting is to come off in the spring or summer.

This is a project of the Council of Economic Advisers. Its aim is to promote a better understanding of what Truman is driving at, to line up business acceptance of his goals. And it's supposed to be an educational session—not a political show.

Officials think there is rising interest among businessmen in the government's economic planning. Adviser Keyserling, for example, is rushed with invitations to speak before business groups.

But they aren't certain how deep the interest goes. One White House aide philosophizes that it may only be curiosity—"like a trip to the zoo."

THE RISE IN STEEL PRICES will be in the news out of Washington next week.

Fairless of U.S. Steel will lead an industry parade before Sen. O'Mahoney's economic committee to explain why prices went up in the wake of the pension settlement. Truman's fact-finding board, which backed the pensions in steel, said a price rise wouldn't be necessary.

No legislation will come out of the hearing. But committee members think the publicity may deter steel users from passing the rise along in the prices of such things as autos and appliances.

It's not a new technique. It's the jaw-bone approach to price control which the committee started in 1948—with U. S. Steel as the first witness then, too.

CO-OP HOUSING is hitting more Senate trouble than the White House expected.

Plan has been advertised as a way to supply private financing for middle-income housing projects. But actually it is a way to get the government into direct lending for homebuilding.

The proposed National Mortgage Corp. would sell government-guaranteed obligations to private investors, such as insurance companies. Funds raised would be loaned to co-op projects. Only difference between this and the U. S. Treasury raising money for direct loans is mechanics.

Senators know that once the direct-loan principle is set for co-ops, regardless of the form, the pressure will be to expand it later—make it available to individual home buyers any time a housing slump is threatened.

WHAT TO DO ABOUT LUSTRON is becoming hot dispute within the Administration.

The prefab-housing venture hasn't been able to get on its feet, even with \$37.5-billion of RFC backing. And now RFC doesn't want to put any more in it, is getting ready to seize Lustron's assets—even if that means scrapping the effort to mass produce steel homes.

But ardent housing advocates in the Administration want to see the experiment pushed. To them, the problem is only a matter of money. It's being quietly suggested that the government operate the project—a yardstick for housing costs, like TVA on power.

But RFC doesn't want to do this, and probably won't—unless Truman or Congress orders it.

TAX LEGISLATION will start shortly, and you can expect bitter controversy.

Congress and Truman are far apart on what

WASHINGTON OUTLOOK (Continued)

should be done—on what taxes to cut and on what taxes to raise to make up the revenue lost in the cuts and to whittle the deficit.

On excises, Congress won't be content to limit action to retail taxes—furs, luggage, jewelry, cosmetics—and rates on transportation and communication.

It's under pressure to slice manufacturers' excises, too—rates on home appliances, office equipment, autos, tires. Chances are good that Congress will trim some of these in the vote trading.

On income taxes, no increase is likely. If Congress does have to boost income rates to make up for the excise cuts, it'll hit corporations before individuals. But a sharp rise to make a net boost in revenue is out.

On business incentives, you'll hear a lot about ways to encourage investment, especially in new and growing enterprises. But anything that provides real inducement also costs revenue; the odds are against major moves.

Two points to remember: It won't be a quick bill. It'll take months. And Truman will veto it, unless Congress balances cuts with increases to prevent a drop in revenue—and a bigger deficit.

A ROW OVER TARIFFS is going to pop within the next few months.

It'll be touched off by the plans to simplify customs procedures, and thus make it easier for foreign producers to put their goods on the U. S. markets. Congress must O.K. the simplification.

This will come up in an election year and at a time when House and Senate members are conscious of rising resentment against imports among producers of competitive products here in this country. Union locals also are protesting imports.

So the customs bill will be the vehicle for a challenge of the Administration's tariff-cutting policy. Congress isn't going to push any tariffs up, but it probably will block the customs bill until next year, at least.

PLAY TAFT DOWN, and play up the other Senate races.

That, in effect, is the Democratic strategy now. It's not dictated by choice. Story is this:

The Democratic Party and the big labor unions marked Taft for defeat back when the Taft-Hartley law passed over Truman's veto. They've been whooping it up against him ever since, but the campaign has lost much of its flavor.

Prospect is that they won't beat Taft. They

say it themselves, privately. And they're afraid that, after all the build-up they've given him, a reelected Taft would be tall in stature—nationally.

So, you'll see the emphasis shift off Taft to the other races. You'll even hear that the Democrats want Taft to win—to assure his nomination in 1952, and thus make a "setup" for Truman. But that's face saving.

Hot Senate races are indicated in a dozen states besides Ohio.

Truman is being urged to take a hand in a number of these, and the odds are he will.

Democrats will fight to win: Millikin's seat in Colorado, Dworshak's in Idaho, Copehart's in Indiana, Hickenlooper's in Iowa, Downell's in Missouri, and Wiley's in Wisconsin.

These Republican-held seats are the ones considered most vulnerable.

Republicans will go after: Myers in Pennsylvania, Lucas in Illinois, Lehman in New York, McMahon and Benton in Connecticut and Taylor (Wallace's running mate) in Idaho.

You can expect a hard try from the Republicans in the Senate fights. Unless they come close to getting the Senate this fall, they have little chance in 1952—even if they elect a President.

List of senators up two years hence is top-heavy with Republicans and Southern Democrats.

DENHAM'S ACTION AGAINST LEWIS won't settle the long coal dispute.

But the NLRB counsel has put the government into the row, on the side of the operators. This will stiffen the fight against Lewis, but it won't bring him to terms.

Lewis has plenty of room to maneuver in, and the expectation is that he will use it. All Lewis has to do to make the dispute "legal" under Taft-Hartley is outwardly to drop the so-called illegal demands—union shop, a welfare fund for union members only, and the "able and willing" to work clause—and center on wages and royalties.

Lewis could even jack his wage demands sky high, in hopes of a trade of the "illegal" terms for a wage compromise.

And he is still free to pull a full scale strike. He likely won't, because this probably would force Truman to use the Taft-Hartley 80-day injunction. But there is no power to make Lewis settle on terms he doesn't like.

Expectation is that the issue will drag on. Lewis doesn't give up easily.

LOOK BEYOND BTUs

when selecting Unit Heaters



* For maximum comfort and lowest operating cost, temperature of air leaving unit heater should be between 110°-120° F. at standard conditions.



Modine quieter operation is a result of scientifically sound-silencing air rush noises. Motor vibrations are effectively absorbed and dissipated by rubber mountings and resilient motor suspension.



Control of heat distribution on vertical models is provided by a built-in adjustable radial deflector assembly, furnished at no extra cost. You can beam, flood or gently diffuse heat as required.



Direct-from-pipe suspension without other supports is safe and practical with Modine Horizontal models. This cuts installation costs and permits easy redirection of heat over a 360° range.



Built-in Velocity generator effectively increases heat throw without increasing power requirements. Outlet air retains a large share of its initial velocity to penetrate cold air strata near floor.



Get new Modine Unit Heater Bulletin today! Also available — "How to Evaluate Unit Heater Performance Characteristics." Your Modine Representative listed in Classified section of phone book. Or write Modine Mfg. Co., 1508 DeKoven Ave., Racine, Wis.

Here's what you get with Modines!

• LOWER OPERATING COSTS

Modine Unit Heaters deliver heat down into comfort zones where heat is needed instead of wasting it on ceilings or above the heads of room occupants. *This means lower fuel costs!* Only unit heaters with sufficient air velocity and correctly related outlet temperatures can give you this performance.

High quality split-phase or capacitor motors (instead of less expensive shaded-pole motors) are used on all but the smallest Modine Unit Heaters. *This means lower power and motor maintenance costs!*

• UNIFORM HEATING COMFORT

Overheated outlet air is buoyant and rises quickly. Underheated air feels "chilly." Similarly, excessive air velocity causes drafts, while air delivered with insufficient velocity fails to reach the floor.

Because Modine outlet temperatures and velocities are *right*, and correctly related to each other, hot blasts and cold drafts are avoided. Floors are kept comfortably warm. Heating is uniform in all parts of the room even in coldest weather.

WHY MODINES LAST LONGER



Entire condenser is pure copper and copper alloy for maximum resistance to electrolysis and corrosion. Tubes are red brass; fins and headers, copper.



Differential expansion stressors are safely absorbed by bends in individual tubes and are not transmitted to tube-header joints to cause condenser fracture.



Fins are permanently bonded to tubes with metal. All condenser joints are brazed. There are no screwed or expanded joints to weaken condenser structure.



Parker-Bonding protects casings and sheet metal parts against formation and spread of rust. Anchors paint to steel. Prolongs original attractive finish.

Modine UNIT HEATERS

U-1031



"BOY, I'LL BET IT'S FUN TO RIDE IN THIS JOB!"

"WELL, Sonny, being a fireman isn't really what you'd call fun. Pretty often we've got a tough battle on our hands to keep somebody's house from burning down!"

Your fire department is doing an important job in protecting your home and pocketbook against tragic fire loss! Cooperate by being careful to prevent fires. And be sure that you carry adequate fire and extended coverage insurance on your home and other properties—with a reputable, nationally known organization such as Hardware Mutuals.

Thousands of property owners are now enjoying peace of

mind as a result of Hardware Mutuals *policy back of the policy* which makes policyholders' interests our first consideration. It means prompt, fair claim handling . . . nationwide, day-and-night service . . . and financial stability. Dividend savings have been returned to policyholders every year.

Phone Western Union

Use this convenient "get acquainted" service. Simply call Western Union by number, ask for Operator 25, and say you'd like the name and address of your nearest Hardware Mutuals representative. You'll find him worth knowing!

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BUSINESS WEEK

NUMBER 1064

JANUARY 21, 1950



IN THE ADMINISTRATION, Secretary Sawyer (left) and FTC's Mason will get help . . .



IN CONGRESS from antimonopolists Celler (left) and O'Mahoney as . . .

Fair Deal Woos Small Business

Truman is buttering up to business—little business, that is.

His Fair Deal is well established as the party of labor. Intermittently, it manages to get by as the party of the farmer. Now Truman wants to add the small businessman to the list.

That's the big new element in the 1950 model of the Truman program. Mostly, it means two things:

Be tough with big business—bring more antitrust suits under present law; push legislation to truss 'em up.

Be helpful to little business—give it

loans, contracts, tax relief, give it anything else you can think up.

By and large, this is no considered economic program, as it might have been under Roosevelt's New Deal. It's an effort to pull together some measures that will appeal to a new class of supporters—the businessmen who have trouble competing with the big fellows.

• **What Is It?**—But there's one other angle to the new drive: You can be pretty flexible in defining a "small business." Everyone outside the Big Three or Big Four you find at the top of most

industries is small in Truman's eyes. And in the name of Small Business, you can do things to direct and stimulate the economy that would be politically difficult under any other label.

I. Helping Small Business

Most recent move in the new campaign: the interagency committee formed by Secretary of Commerce Sawyer. He set it up at the President's request to "coordinate all the government's activities" in the antitrust and small-business field. Its members are Sawyer, Attorney General McGrath, Leon Keyserling of the Council of Economic Advisers, and Lowell Mason of the Federal Trade Commission.

• **The Job**—Sawyer's announcement about this committee was mild. He made it seem that its main purpose would be merely (1) to propagandize for better business understanding of the antitrust laws, and (2) to work for better understanding by the antitrust lawyers of the problems of business.

But its job is a lot more virile than that. Its name—"The President's Committee on Business and Government Relations"—indicates the group's real role. As its members interpret it, their job is this: to see what can be done to make the policies of the various government agencies more palatable to small business—that is, to all business but the biggest. When it has something to report, the committee will draw up the recommendations Truman referred to in his State of the Union message (see box, page 22).

• **The Goals**—For the time being, Sawyer will plump for proposals already in the works—a better tax break for small business, the end of excise taxes, easier credit plans, and the like. Also, he will try to get the antitrust lawyers to be a little more friendly to businessmen. That means being a little freer with their informal advice as to whether a planned course of action might be a violation of the law.

Then Sawyer will put pressure on procurement agencies like the military establishment to direct more buying away from the biggest firms. He will ask the Maritime Commission, Interstate Commerce Commission, and Civil Aeronautics Board to make sure that regulations in their industries don't freeze out newcomers. And he will give antitrust-law exemptions a going over to see what their impact is on new competition.

• **An NRA?**—Sawyer has already had scores of inquiries from businessmen

wondering whether or not he plans to come up with codes a la NRA.

The answer's definite: Nothing of the sort will be tried. The presence of McGrath on the committee makes that certain. His public statements since becoming attorney general have not varied from the policy of vigorous prosecution of the antitrust laws.

Setting the pace for the "positive" program of "Let's be friendly to business"—as against the anti-big-business policy—is Keyserling of the economic council. The now-famous annual report of the council was tied in with this idea:

• **Cooperation Plugged**—It's the big job of government to make sure that business gets all the help it needs to expand plant and equipment in order to assure the primary economic goal—full employment and full production. Played down is the other side of the coin: If business on its own doesn't provide full production and full employment, then it's government's job to step in and do what's necessary.

• **Loans, Taxes**—Big play is being given already to easier credit for small businesses. And the capital bank idea—the scheme for pooling government and private money as a source for new investment—will get plenty of promotion (BW—Jan. 14 '50, p. 15).

Truman's tax message will be geared into the program (page 17). Tax benefits,

THE FAIR DEAL PITCH

In his State of the Union message President Truman said:

"We must curb monopoly and provide aids to independent business so that it may have the credit and capital to compete in a system of free enterprise. I recommend that the Congress complete action at this session on the pending bill to close the loopholes in the Clayton act, which now permits monopolistic mergers. I also hope before this session is over to transmit to the Congress a series of proposals to strengthen the antimonopoly laws, to assist small business, and to encourage the growth of new enterprises."

generally on small firms, will be talked up as an incentive to investment and expansion. But like most other items in the tax lineup, this runs smack into the big deficit and the need for more revenue.

II. Hitting Big Business

All this emphasis on "positive" aids

to business doesn't mean any slackening of antitrust prosecutions. Quite the contrary. The antitrust agencies are firmly committed to a policy of tackling the giants, and will try to be even more effective in this field than they are now.

• **New Powers?**—For instance, the Federal Trade Commission last week sent to Rep. Wright Patman's small business committee its answers to six loaded questions Patman had asked. FTC said that the most important gap in its authority is the lack of power to do anything to companies that are just too big—that is, a single company or handful of companies whose position in an industry is "inconsistent with competition."

The growing emphasis on monopoly shows up in the President's budget. If FTC gets the \$575,000 additional funds Truman asked for, most of the increase will go for antimonopoly cases and economic studies on big business.

• **More Beef**—The changes in legislation which antitrust chief Bergson has recommended to Congress would beef up the law. He's for giving the government the right to sue for triple damages as only private companies can now do; he's for repeal of the Reed-Bulwinkle act, which he sees as giving the railroads carte blanche to rig rates as they please; and he's for raising the fines for criminal violations of the antitrust laws from \$5,000 per count to \$50,000.



Experiment in Texas: Gasoline From Gas

The picture above is the first aerial photograph released of the big Carthage Hydrocol, Inc. synthesis plant now nearing completion in Brownsville, Tex. The new \$20-million plant, at right in the picture, will be the first to make gasoline and other liquid

hydrocarbons from natural gas on a commercial scale.

Carthage Hydrocol is a joint undertaking of nine companies: Forest Oil Corp., The Chicago Corp., La Gloria Corp., Niagara Share Corp., Stone & Webster, Inc., United

Gas Corp., Western Natural Gas Co., Hydrocarbon Research, Inc., and The Texas Co. The plant will have a daily capacity of 7,500 bbl. of liquid products, most of it gasoline. It will also produce 750 tons of chemicals daily, which will be separated and processed at adjoining plants of Stanolind Oil & Gas Co. and U.S. Industrial Chemicals, Inc.

Military Plums

U.S. industry due to get about \$9-billion in orders for armed services, foreign-arms aid in 1951.

U.S. hard-goods manufacturers are due for a nice plum from the military budget. During the next year and a half, more than \$9-billion in U.S. and foreign-arms-aid military orders will flow from it into industrial tills.

• **New Types**—But there's a catch: Most of the orders will be for new types of materials. They will have to be custom built, or come off completely redesigned production lines. However, there's an advantage, too: Manufacturers who get contracts will be in a good spot to capitalize on similar future orders.

Not all the material will be of a new type. The money will go for everything from aircraft, tanks, guns, and rockets to common hardware items, light bulbs, and other small items. In fact, about the only industry that won't benefit from the arms program is shipbuilding.

• **Breakdown**—Most of the money—\$6.8-billion—will go for equipment for the U.S. armed forces in fiscal 1951. Here's a breakdown, based on the preliminary budget submitted to Congress last week, of the types of material for the U.S. armed forces:

Aircraft	\$2,017,000,000
Weapons (guns, tanks, etc.)	150,000,000
Ammunition (including guided missiles)	200,000,000
Vehicles	108,000,000
Railroad Equipment	500,000
Construction Equipment	7,500,000
Heavy Materials-Handling Equipment	7,000,000
Miscellaneous Hard Goods	276,000,000
Maintenance and Operation	3,400,000,000
Procurement for Civilian Components	40,000,000
Research and Development	594,000,000

• **Aircraft Cut**—This list shows that aircraft companies are taking a cut. For fiscal 1950, aircraft appropriations stood at \$2,182,000,000, as against \$2,017,000,000 for 1951. But the cut will be offset by orders for guided missiles, rockets, and other Buck Rogers stuff.

Also, some of the foreign-aid orders in the Air Force line will be sure to go to U.S. manufacturers.

• **Foreign Money**—The foreign-arms-aid money in the budget amounts to \$2.4-billion for the next two years. Of this, \$1.3-billion is allocated for this year. But more than a third of it is covered by reserve weapons and material which U.S. armed forces now have in cans. This will be uncanned and shipped abroad. It will be replaced in

the future and charged off against the arms-aid program. Best guess is that orders for replacement will go out before next July.

Nevertheless, there's well over \$500-million worth of new procurement scheduled for foreign aid this year. About \$478,309,000 will go for arms and material, another \$85-million for production equipment and raw materials aimed at boosting the munitions-making ability of the European signatories of the North Atlantic Pact.

• **Army-Type Leads**—The new-equipment total breaks down like this: Army type, \$359,399,000; Navy type, \$82,520,000; Air Force type, \$36,390,000. Orders for this material will go out shortly. (Another \$300-million is tagged for countries outside the Atlantic Pact.)

Of the \$85-million budgeted for procurement of foreign production equipment, only \$29.5-million will go for machine tools and other metal-working equipment. The rest of the money will be used to buy steel, copper, aluminum, and other nonferrous metals.

• **Bright Outlook**—Foreign-arms aid is sure to continue for another year or two anyway. And U.S. military orders are likely to stay at about the 1951 level for a long time. So hard-goods manufacturers should have a bright outlook on the military-order side for some years ahead.

Ford Set to Build Two New Plants at Cleveland

Ford Motor Co. is expanding its production operations into Cleveland. The company is ready to put up a new engine plant and a gray-iron foundry on a 209-acre site bordering the Cleveland Municipal Airport. Total cost: around \$25-million.

Once construction is completed—about two years from now—the new plants will supply other Ford plants, but they won't replace any. At capacity they will employ about 10,000 people. Ford hopes the Cleveland plants will help break the engine bottleneck which, the company says, has prevented it from turning out much more than 5,000 units a day.

Ford picked Cleveland because it's close to plentiful supplies of pig iron, electric power, and manpower. Besides, it's on Lake Erie, so shipping to assembly points will be cheap and easy.

Ford's Cleveland move marks its fourth manufacturing installation outside of the Detroit area. Others include: the former Kelsey-Hayes Wheel plant at Monroe, Mich.; a stamping plant under construction at Buffalo; a transmission plant going up at Cincinnati; and a forging plant at Canton, Ohio.



Furniture Buyers Buy Furniture

Retail buyers turned out in record strength for the first week of the winter furniture market at Chicago's American Furniture Mart. Just over 17,000 buyers jammed the halls in the first five days, and talk about

the prospects for 1950 was cheerful—about the first half of the year anyway. Some manufacturers said they had booked twice the volume of orders written in last July or January's markets.



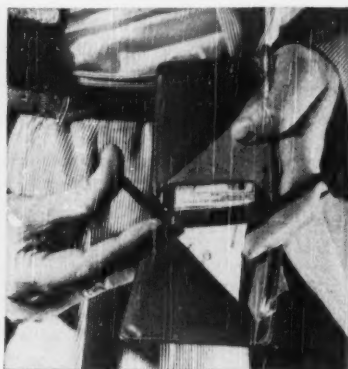
DAIRY VALVE. This shut-off valve is among most promising of new Rochester-made products. It is coated with Neoprene to protect glass vats, cuts off flow of water as soon as thrown to ground. It is made by Hauser Engineering Co.



ZIP SCARF. Loose-flying ends disappear when using scarf with built-in zipper. Made by Zipper Scarf, Inc.



BABY BIB. Kangaroo-like, permanently open pocket across front catches spilled food. Made by Bilkar Products.



WALLET GUARD. Head of Numak Co. had wallet lifted, made frame with claws to grip pocket.



INTERCOM. Made by Talk-O Product, this system's main selling point is that each station works independently.

Are your Eastern sales **STYMIED** by high freight rates?

WEST COAST MANUFACTURERS
WEST COAST PRODUCTS
HIGH FREIGHT RATES
EAST COAST MARKET

Then try the ROCHESTER plan!

THE ROCHESTER PLAN: A program whereby West Coast Manufacturers are offered the opportunity to retain the established market for their products on the East Coast. To make this possible, Rochester formed a new company, Rochester Commerce Dept., to handle the distribution of their products in the East.

THREE YEARS AGO. Newspaper ads started Rochester Commerce Dept.'s drive for new business.

The Rochester Plan Clicks

These products are all made in Rochester, N. Y. They have gone into production within the past two years, the results of new patents that local companies have taken up.

• **Long-Term Program**—All this is part of the so-called "Rochester Plan," put in effect by the city's Dept. of Commerce three years ago. Basically, it is a long-term program not only to bring in new industries, but to bring new business to present industries. By November, 1948, out-of-town manufacturers had placed about 1,000 products with Rochester distributors (BW—Nov. 27 '48, p. 39). Last week the figure was nearer 2,000.

The new-products drive has just hit its stride. It started when the City Dept. of Commerce began running newspaper ads urging inventors to send in the patents for consideration by local industry. At first, few sound ideas turned up. All the screwballs who had had the patents turned down elsewhere sent them in as a last resort.

• **Better Ideas**—Now that phase has leveled off, the department is getting more solid ideas. For example: Since last November, 50 or 60 blueprints of models have gone into the hands of Rochester manufacturers for consideration. And ideas are still pouring in.



QUICK-MIX. Portable electric kitchen and cocktail mixer beats, chops, mixes, stirs. Made by Royal Rochester.



RAT TRAP. Complex electronic gadget was invented in response to SOS from rat-ridden hotel. Rodents enter door (left), go up incline to be electrocuted, get fleas killed, too, by insecticide spray. Although gadget-like, it is selling well.



CARD PUNCH. Electrically operated, machine is designed to be small and cheap. Made by Rapidata.



CARD SORTER. Companion Rapidata invention sorts 2,000 index cards at one time in drawer.



SCISSORS JACK. New line of jacks for cars and trucks is made in 1½-ton, 2-ton, and 3-ton capacity. Jack will extend to its full height. It is made by Chieftain Products. Shown here is the 2-ton scissors jack.

Who Gets Pacific Power?

Two syndicates are competing for American Power & Light's next-to-last subsidiary. One wants to resell to public power groups, one doesn't. SEC will decide.

The 40-year-old battle between public and private power in the Northwest has entered a new stage. Next week, the Securities & Exchange Commission will open hearings on the American Power & Light Co.'s proposed sale of Pacific Power & Light Co., a subsidiary operating in southern Washington and northern Oregon.

• **\$10-Million Plus**—AP&L wants to sell Pacific's 500,000 shares of common stock to an investment syndicate headed by B. J. Van Ingen & Co., Inc., for \$10-million in cash, plus subsequent payments not to exceed \$9.5-million. The additional payments would be contingent on sales of Pacific's assets by the purchasing syndicate. Heaviest participant in the syndicate is Robert Young's Alleghany Corp. (page 27), which would take 22% of the shares.

What has the whole private power industry up in arms is that the Van Ingen group hopes to raise the additional sums—and more—by selling chunks of the Pacific system to Washington public utility districts for hefty prices. The Northwest is crazy for local control of its power system—whether public or private—in order to speed expansion.

• **Counter-Offer**—This week, indignant utility executives helped in arranging a \$15-million counter-offer by an investment group headed by Allen & Co., of New York. If SEC turns down the Van Ingen group, the Allen syndicate would presumably have a clear field to buy Pacific for public resale.

Appearing in opposition to the AP&L plan will be: the Oregon public utility commissioner, who apparently feels the plan is too speculative; representatives of Northwest power companies, including Paul B. McKee, Pacific's president, who was not consulted in the plan to sell to Van Ingen.

AP&L is now entering the final phase of dissolving, by government demand, its sprawling utility empire. Plans have been O.K.'d by SEC for the sale of all the other companies except Pacific—and another Northwest utility, Washington Water Power Co.

If SEC approves the sale to the Van Ingen group, private power companies will be finished in the state of Washington. For there are now only three private utilities left in the state: (1) Pacific, (2) Washington Water Power Co. (sister-subsidary, which serves eastern Washington and northern Idaho), (3) Independent Puget Sound Power

& Light Co., which already seems doomed to negotiated absorption by PUDs (BW—Mar. 26 '49, p. 72).

• **WWP Is Next**—If Pacific falls, the PUDs that buy it would then be in the center of Washington Water Power's territory. They could hack at WWP with condemnation proceedings. But private-power men are sure AP&L will arrange a quick sale of this property, too, if the Pacific deal goes through. No one else but PUDs would be in a position to buy it. And AP&L President Howard L. Aller has considered selling WWP to PUDs before.

Private-power executives feel that Aller's plan sells out their united front against public power. But Aller says he is under compulsion to dissolve the AP&L system as fast as he can.

• **Supersalesman**—Also in on the deal is the fabulous Guy C. Myers, who would handle the sale of Pacific properties to PUDs for the Van Ingen syndicate. Myers has long represented the PUDs in the state of Washington. Myers is scheduled to get 10% of anything over \$10-million that he makes for the syndicate. If the take amounts above \$19.5-million, Myers will get 19% of the next \$3.9-million, and 10% for anything further.

Naturally, SEC is a bit suspicious of the plan. Commission staffers recall readily, but not too fondly, a very similar sale made by AP&L in December, 1944. At that time AP&L was still a potent sub-holding company in the Electric Bond & Share network. After fighting public power for seven years, Aller sold another operating subsidiary, Nebraska Power Co. (BW—Dec. 23 '44, p. 74). Prominent on the other side of the deal was Guy C. Myers.

The Nebraska company, through an intricate series of transactions, wound up in the hands of a bond-financed public power district. Later on Nebraska's public power districts ran into financial troubles. Their plight was attributed to the heavy debts they had assumed in acquiring privately owned systems, including Nebraska Power. There were congressional investigations. SEC was criticized by Congressmen for permitting such sales.

That's why SEC is almost certain to rule that its duty to protect "the public interest" compels it to block the sale. It's likely to O.K. the sale to the Van Ingen group only if it gets guarantees that eventual resale of Pacific stock or physical assets won't cost their eventual

owners more than the property is worth.

• **Doom for WWP**—Since the sale of Pacific to public ownership would doom the corporate existence of its sister-subsidary, Washington Water Power, SEC will probably have another question to ask. The question: What sort of plan does AP&L have for getting rid of WWP, the last operating company of which it must divest itself?

There is little doubt that the Allen group, which made a counter-offer for Pacific this week, also has its eye on WWP. AP&L is obviously hell-bent on pulling out of the Northwest. And if the Allen group succeeds in buying Pacific, they will have to buy WWP in order to maintain their position against the PUDs. Neither company can stand alone as a private corporation.

• **Key Man Myers**—Here's why Myers is such a key man in proposed sale to Van Ingen, and why his proposed commission is so big. After his Nebraska operations he shifted to the state of Washington. He has been active in the previous public-power acquisitions of private-power facilities. Obviously, the Van Ingen group feels that he is the man to get a good price for Pacific's properties from the Washington PUDs.

Building Equipment Men See Good Year After Bad

At the annual meeting of the Associated Equipment Distributors (building equipment) in Chicago this week several paradoxes showed up. The main one was this: There had been a record volume of building in 1949. Yet construction machinery sales were down about 15% from 1948. Another paradox was that despite this lag, the distributors thought that last year wasn't bad, saleswise, anyway. Moreover, they expect this year to be a whole lot better.

• **Reasons**—The boys in Chicago had a lot of sound explanations for the paradox of more building and fewer sales. Most dealers thought that contractors had overbought in the early postwar years. Big talk about the postwar building boom led to inventory inflation.

Another soul-searching reason came from distributors who faced up squarely to the return of the buyers' market.

Dealers said they need more and more of the old lures to get their stuff sold. And they need help from manufacturers. Here's why:

• **Trade-Ins**—Buyers still remember the high prices they paid for equipment right after the war. Now they expect a trade-in allowance in line with that price. The suggestion was made that manufacturers assume some of the responsibility—perhaps by granting a special discount—on trade-ins.



ROBERT R. YOUNG has taken one beating after another in rail ventures, but he's . . .

Biding His Time on Rails

Young is talking softly, may make his peace with American Assn. of Railroads. But he hasn't quit the rails, dreams of a merger of New York Central and Southern Pacific.

Robert R. Young is pulling in his horns. The chairman of the Chesapeake & Ohio and the enfant terrible of the railroad industry is quietly making his peace with fellow rail executives.

He has soft-pedaled his strident criticisms of the industry's practices and the quality of its service. He is even "discussing" the possibility of restoring C&O to full membership in the Assn. of American Railroads.

• **Of the Rails?**—This week, the rumor that Young would get out of railroads entirely was once again making the rounds in Wall Street. What started it was the news that Alleghany Corp., Young's holding company, was putting up a good part of the money for a syndicate that is bidding for Pacific Power & Light (page 26).

Young himself denies vehemently that he has any idea of quitting the railroad business. He says that Alleghany's part of the Pacific Power & Light deal is simply a "banking accommodation for some people in Wall Street who needed help to make up the syndicate."

• **Minding His Manners**—But on the record, it is evident that Young has

been thrown for a loss in his railroad operations. And from the way he has been acting, it is plain that he is smart enough to realize what has happened.

Whatever else they say about him, no railroad man ever called Young dumb. He is smart, tough, and aggressive, with a flair for catching public attention. When things were going his way, he didn't care whose nose he pulled. Now that things aren't going so well, railroad men say he is shrewd enough to mind his manners.

I. Dilemma of the Dividend

The question is whether Young changed his tune soon enough. The February meeting of the C&O directors is bound to be an unpleasant time for him no matter how he handles it.

• **\$1.60 vs. \$3.00**—C&O income has been taking a beating lately. All railroads have had a hard time for the past year or more and C&O has suffered particularly from the drop in coal traffic. But C&O isn't making enough to cover the dividend that it has been paying. Last year it only cleared something like \$1.60 a share, before adjustments.

Its dividend rate has been \$3 a year.

Young has already borrowed time by postponing consideration of the dividend from last December to February. But next month he will be back on the spot. If he cuts the dividend, he will outrage the stockholders. If he doesn't cut, he will be weakening the road at a time when it badly needs cash.

• **Weaker**—And Young's hold on C&O is weaker now than it has been in the past. Alleghany Corp. has cut its holdings of C&O common to about 2.5% of the shares outstanding. That's plenty for working control if there is no organized resistance. But if some one suddenly decided to start a fight—which would be altogether possible if Young cuts the dividend—the story might be different.

II. After the Van Sweringens

Young is used to trouble, though. And the worries he has now are nothing to some of the ones he had when he first took over Alleghany Corp.

Alleghany was once a keystone of the Van Sweringen empire. The fabulous Vans set it up in 1929 as a basket to hold a miscellaneous collection of railroad and other securities. After their collapse, it passed into the hands of the aging George A. Ball, the fruit-jar king of Muncie, Ind. Young and his silent partner, Allan P. Kirby, bought control of it from Ball in 1937 along with some other remnants of the Vans' scrambled estate.

• **Touch and Go**—For years after Young took over, nobody in Wall Street would have bet even money that he could hang on from one day to the next. Alleghany's affairs were hideously mixed up, and most of its assets were hocked one way or another.

• **In the Clear**—But gradually Young worked his way into the clear. He and Kirby won a lawsuit against Ball, which gave them a wad of badly needed cash. Security prices firmed up, and that made Alleghany's portfolio look better. By the time the war started, Young was firmly in the saddle.

III. Reforming Railroads

No sooner had Young cinched his control of Alleghany (and through it of C&O) than he began looking for new conquests. He had never been in the railroad business before (he made his stake as a Wall Street operator), and he fairly bristled with ideas.

• **The Privileged Hog**—He criticized freely and pithily such things as the quality of the passenger service, the methods of selling tickets, the failure of the roads to provide transcontinental passenger cars. He talked grandly of consolidations with other roads.

Other railroad executives gave him

the quiet freeze treatment—and a quiet freeze from an old-time railroader is something special. Young retaliated by taking to the newspapers. C&O's ads on the rolling tenements (Pullman cars) and the hog that could cross the country defrosted other railroad men without endearing Young to them.

• **And the Goldfish**—Meanwhile, Young was trying to put some of his ideas into practice himself. He introduced all sorts of luxuries in C&O passenger service—free movies, free newspapers, meals at less than cost, goldfish in the club car. He ordered new equipment. He even tried to abolish tipping.

IV. Troubles of a Railroader

In 1945, Young suddenly popped up in the midst of the government's anti-trust action against Pullman, Inc. When the government won its case, Pullman had decided to sell the operating end of its business and stick to car manufacturing. Young got together a syndicate and bid for the sleeper operations.

The Justice Dept. supported him. But the court decided in favor of a combination of the operating railroads.

• **Fight for the Central**—Young's next major defeat came when he tried to get control of the giant New York Central. Early in 1947, Alleghany Corp. bought 400,000 shares of New York Central—about 6% of the total outstanding—at \$18.50 a share. Shortly afterward, it sold them to C&O at the same price. This made C&O the biggest single stockholder in Central.

Young and Robert J. Bowman, then president of C&O, applied to the Interstate Commerce Commission for permission to sit on the Central's board. ICC held hearings and listened to Young's dream of an eventual merger of the two roads. Then it gave its answer—a stony turndown.

• **Rail Federation**—Meanwhile, Young had launched another venture—his Federation for Railway Progress. This was intended as an open competitor of the Assn. of American Railroads. Into it, and out of AAR, Young took the three railroads that he then controlled—C&O, Pere Marquette, and Nickel Plate.

Membership in the Federation is open to railroads, labor organizations, equipment makers, and individuals. Today it has about 15,000 members, but only two of them are railroads. And the two roads are C&O and Nickel Plate (the Pere Marquette has been merged with C&O).

• **Home Troubles**—Even on his own system, Young has had some disappointments. His plans to merge C&O, Pere Marquette, and Nickel Plate fell through when Nickel Plate preferred stockholders balked. He had to be content to merge Pere Marquette and let

control of Nickel Plate go completely.

And within the past year, all the frills that Young added to C&O passenger service have gone by the boards. The goldfish got trainsick and died. Desperate attempts to cut the size of the deficit in the passenger department did for the rest. Much of the new equipment that Young ordered has been resold before it ever operated over C&O lines. And in the current coal shortage, C&O is even taking diners off the trains.

V. Young Looks Ahead

If Young means what he says, he isn't through yet by a long way. He has taken some bumps, and he is biding his time now. But he still is nursing plans for making over the railroad industry.

• **Mergers**—As he sees it, sweeping consolidations of the U.S. railroads are inevitable. Sooner or later, the government will have to foster mergers if not order them outright. And when that time comes, Young hopes to be first in line. The day will come, he says, when ICC will be "willing and anxious" for him to sit on the Central's board.

The chances are that ICC would make him get out of C&O before it let him into Central. This might be all right with Young, but with the stock market where it is, there's a big hitch. The New York Central stock that Alleghany passed on to C&O cost \$18.50 a share. It's now selling for around \$12.50. If Alleghany takes it back at the original price, Alleghany stockholders will paw the air. If it should try to get the stock from C&O for less than the transfer price, C&O stockholders will have a case against Young.

• **Cash on Hand**—At the moment, Alleghany probably hasn't the ready money to swing any ambitious mergers, anyhow. It has \$28-million cash, but it also has \$24-million outstanding in short-term bank loans. If it could get these loans funded on a long-term basis, the story might be a lot different. In that case, Young says, it might put the money into Central stock—and Southern Pacific. He is still thinking in terms of a transcontinental tieup.

• **Investment Trust**—Alleghany also has some outside assets under its control. Recently it bought control of Investors Diversified Services, a sizable investment trust. Wall Street immediately began to wonder if Young would use this as another lever to get control of the roads he wants—although Young himself gave no indication that he had any such idea in mind. Old-timers in the investment company business would likely caution him against it; investment companies are regulated, and they always fear that charges of "control" over industries in which they invest would bring Washington down on them.

Industry for Sale?

Disposal of synthetic-rubber plants poses security problems. Truman asks controls if private industry takes over.

Denationalization of the synthetic-rubber industry is going to be one of the toughest nuts to crack on the congressional plate. And even if it's cracked, industry may find it hard to swallow—if President Truman's proposals for handling it go through. For even after private buyers take over, the Administration wants a big hand in the business.

• **Go Slow**—The size of the industry alone says "Handle With Care." There are 28 synthetic-rubber plants, built at a cost of about \$470-million; 1949 production totaled 300,000-plus tons of product worth more than \$120-million.

The other big "go slow" factor, of course, is the strategic importance of synthetic to national security.

President Truman's disposal program sets up basic goals aimed at guaranteeing security requirements—and solving the apparently insoluble problems involved.

• **High Spots**—Here are some of the high spots of Truman's plan:

(1) Total plant capacity, in operation and standby, should at all times be as high as it is now—nearly 1-million tons a year.

(2) Government should continue to have the powers it now has to require use of GRS in products to assure consumption of 200,000 tons of GRS a year. If and when synthetic plants are privately owned, the government must also have the authority to regulate the price and terms of sale of the rubber.

(3) In case the plants should be needed in a war, sales contracts must include the national security clause; this stipulates that plants be kept in a condition that will permit them to be put back in production of rubber.

(4) In selling the rubber plants, great care must be taken to prevent the Big Four—Goodyear, Goodrich, Firestone, and U.S. Rubber—from taking over.

(5) At the same time, only technically and financially qualified concerns should be permitted to buy.

(6) The legislation spelling out policy on production and use of synthetic rubber should be laid down for a 10-year period; that way, prospective buyers will know where they stand.

All these considerations—and more—may have congressmen thumbing again through a section of the report that lists the advantages of continued government ownership of the industry.

Circus Poster (1917) from the collection of Culver Service.



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BUSINESS BRIEFS

GM's 1949 net profits probably topped \$600-million—beating all previous records for that or any other company. That comes to \$13.30 a common share, against \$9.72 a share in 1948.

Exclusive-dealing contracts are still under fire. The Justice Dept. has taken civil action against Sun Oil Co. The charge: That Sun compelled 10,000 independent service stations to buy certain supplies exclusively from Sun. The Supreme Court ruled against Standard Oil of Calif. in a similar case (BW—Jun.18'49,p21).

Coffee price of General Food's Maxwell House dropped 4¢ a lb. to 76¢ (wholesale)—first price cut by a major concern since April. Trade observers say earlier hoarding (BW—Nov.26'49, p10) has caused a slump in demand.

Auto price cuts this week: Cadillac pared \$30 to \$211 off list prices of its 1950 cars. Packard reduced the price tag on its Ultramatic transmission from \$225 to \$185.

Inland Steel is set to explore the Ontario iron ore fields it has leased from Steep Rock Iron Mines, Ltd. If the fields are as rich as they look, Inland will begin open-pit mining.

Oklahoma Corp. Commission can set the price of natural gas in Guymon-Hugoton field, the state Supreme Court has ruled. Cities Service had challenged the commission's right to set a price floor at 7¢ per 1,000 cu. ft. (BW—Dec.28'46,p18).

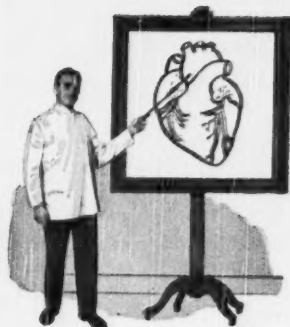
Charles Luckman resigned as president of Lever Bros. this week. Official reason: "a disagreement as to the future policy of the American company."

Titanium Metals Corp. of America has been formed by National Lead and Allegheny Ludlum Steel to formalize their joint marketing arrangement for titanium metal.

The potash shortage caused by a two-month CIO strike in New Mexico will show up in lowered potash content in fertilizer this year. Three companies, producing 80% of U.S. potash, are tied up.

Flamboyant Glenn McCarthy (Shamrock Hotel, Texas oil) wants a \$70-million loan from RFC. If he gets it, it will be the largest peacetime loan made to private business since the war.

ABOUT YOUR HEART



What your heart does...

The heart is the hardest working organ in the body. It beats about 100,000 times a day, and in the course of 24 hours pumps more than 2600 gallons of blood through the blood vessels.

The heart's ability to function normally may be affected if it is subjected to prolonged or excessive strain, or if it is attacked by disease. Fortunately, doctors now can do more than ever before to help the heart if trouble appears.

Heart disease is the leading cause of death in our country, and the proportion of deaths from this cause has been increasing. Authorities point out, however, that this increase may be a reflection of the fact that, due to medical progress, more and more people are reaching the later years of life when heart ailments are most likely to occur.

When all of the factors affecting the statistics are taken into consideration, it is found that the death rate from heart disease at every age is actually going down.



What medical science is doing...

Today, medical science has many new tests for the heart, in addition to the electrocardiogram, the X-ray, and other routine methods.

One such development is called *angio-cardiography*, in which an opaque solution is injected into the blood stream. By means of X-ray, the doctor then can study the chambers of the heart, the major blood vessels in the chest, and the lungs.

Another technique, in which a small tube is inserted through an arm vein into the chambers of the heart, provides information about the amount of blood the heart is pumping, the pressures under which it is working, and the composition of the blood in the heart.

There are also new exercise tests which furnish knowledge about how the heart functions under strain. These and other advances give the doctor more accurate methods of diagnosing heart trouble than have been possible heretofore.



What YOU can do...

Specialists say that there is a great deal the individual can do to help keep his heart sound and strong.

Following the doctor's suggestions about a daily routine of healthful living may help to avoid heart ailments, or to limit their effect. Such a routine should include a nourishing diet, keeping weight normal, getting plenty of rest and sleep, trying to avoid tension during work, and developing a relaxing hobby.

It is also important to have regular physical examinations by a doctor. Such check-ups generally insure that if heart trouble should occur it will be discovered *early*, when modern methods of treatment will help most to control it.

Under good medical care, most people with heart ailments can learn to adjust their lives to the work-capacity of their hearts. By so doing, they are often able to enjoy long and happy lives of nearly normal activity.

Research on diseases of the heart is increasing. To aid in this work, 148 Life Insurance Companies support the Life Insurance Medical Research Fund which makes grants for special studies in diseases of the heart and blood vessels. To learn more about helping your heart, send for Metropolitan's free booklet, 20-S, "Your Heart."

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How Executives Cut Costs

National Gypsum Co. saves several million dollars a year as result of highly detailed program. Need for it came first from company expansion prewar, then return of buyers' market.

How can we really cut costs?

That question has plagued the management of nearly every business since the war's end. Few have found a thoroughly satisfactory answer.

• **Success**—Last week National Gypsum Co., of Buffalo, N. Y., was near the end of a highly successful four-year, double-barreled program of cost cutting. It has been a detailed, hard-hitting job that has produced savings of several million dollars a year.

First part of National Gypsum's program was the usual examination of actual mechanical costs—the cost of production, new equipment, and so on. In a sense the second half was more important—a deep study of administrative costs. The aim: to get a more economical and efficient operation of the company from top to bottom.

• **Expansion**—Back in 1946, National Gypsum was winding up its greatest expansion; in seven years before the war, National had acquired or built 15 new plants. Its sales had risen from \$2.5-million to \$22-million a year. It was time to pull together the company's administration and start planning for the years of stiff competition ahead.

The men at the top knew that this competition was bound to come. There were plenty of other companies making the same products that National Gyp-

sum was putting out—plaster, wallboard, lath and sheathing, lime, rock-wool insulation, acoustical products, and so on. It would take downright realism to stay in the swim.

• **Sparkplug**—Most of the realism came from President Melvin H. Baker, now 65. He had gained his early fame as a super-salesman for the old Beaver-board Co. He reaffirmed it when National was formed in 1925; he was in charge of the sales crew which sold the stock. And when National's first president, James Joseph F. Hagerly, died in 1929, Baker got his job.

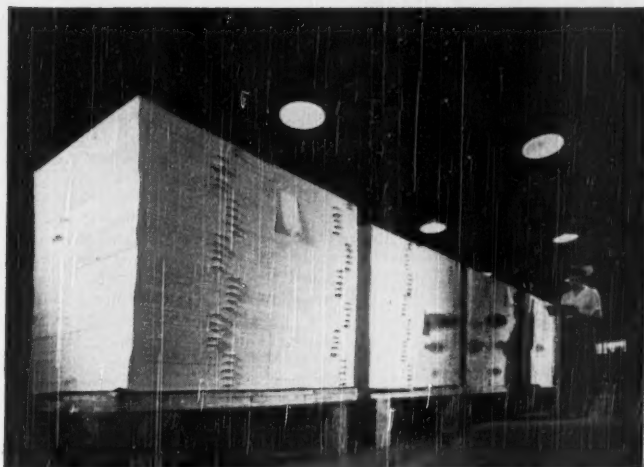
After National's rapid prewar growth, it was Baker who determined to shake the company down to organizational efficiency. But the war intervened; there was no time to take stock and make management and administration fit the new conditions.

• **Management Audit**—In 1946, President Baker got a chance to put his study in motion. The first thing he did was to call for a "management audit." The general aim was to find out how the company organization should be strengthened to match its new stature. National's analysts—under Office Methods Analyst Jolin C. Lapp—spent a year in a detailed study of the company's organization.

First results: a set of manuals on

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cover new speed and dependability. Finally, in comparing reproduction with that of any other paper, at any price, you'll agree there's a striking new difference in the quality of printing achieved with 1950 Levelcoat.

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New TRUFECT* Whiter, smoother, folds even better than before. Trufect, for letterpress, offers faster ink setting time, greater press dependability, finer reproduction.

New MULTIFECT* An economy sheet for volume printing. With the new LongLac fibers, Multifect has added strength, better foldability, greater uniformity.



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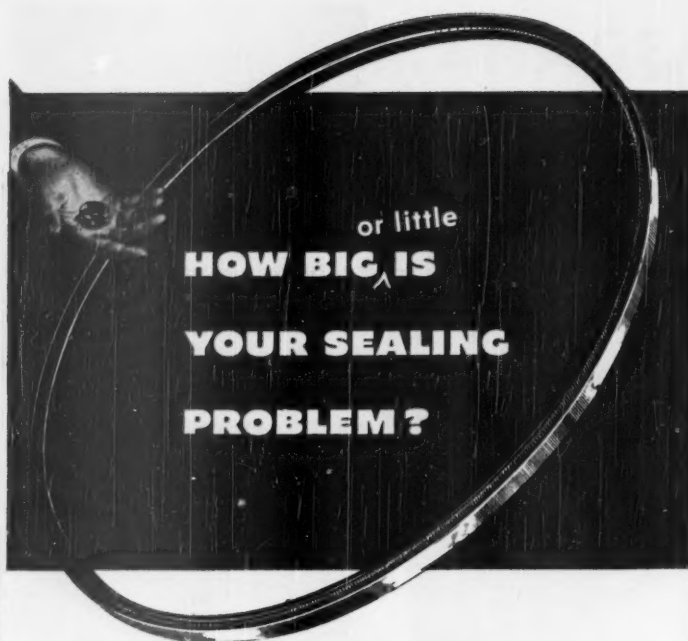
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standards which operations, organization, quality control, and so on, should meet in the future.

• **First Changes**—One manual showed that the responsibility for invoicing was assigned to the pricing department, part of the sales setup. Actually, it belonged in the accounting department; so the change was made.

The analysis in another manual showed that a shift of the traffic department from sales to production would make sound business sense. Promptly National Gypsum gave all the responsibility for movement of raw materials, equipment, supplies, and finished products to production experts.

And study of the management pattern showed a big need for training junior executives to understudy key officials. So the company created the job of assistant manager in the production, finance, and sales departments, strengthening the organization and at the same time giving it better future planning.

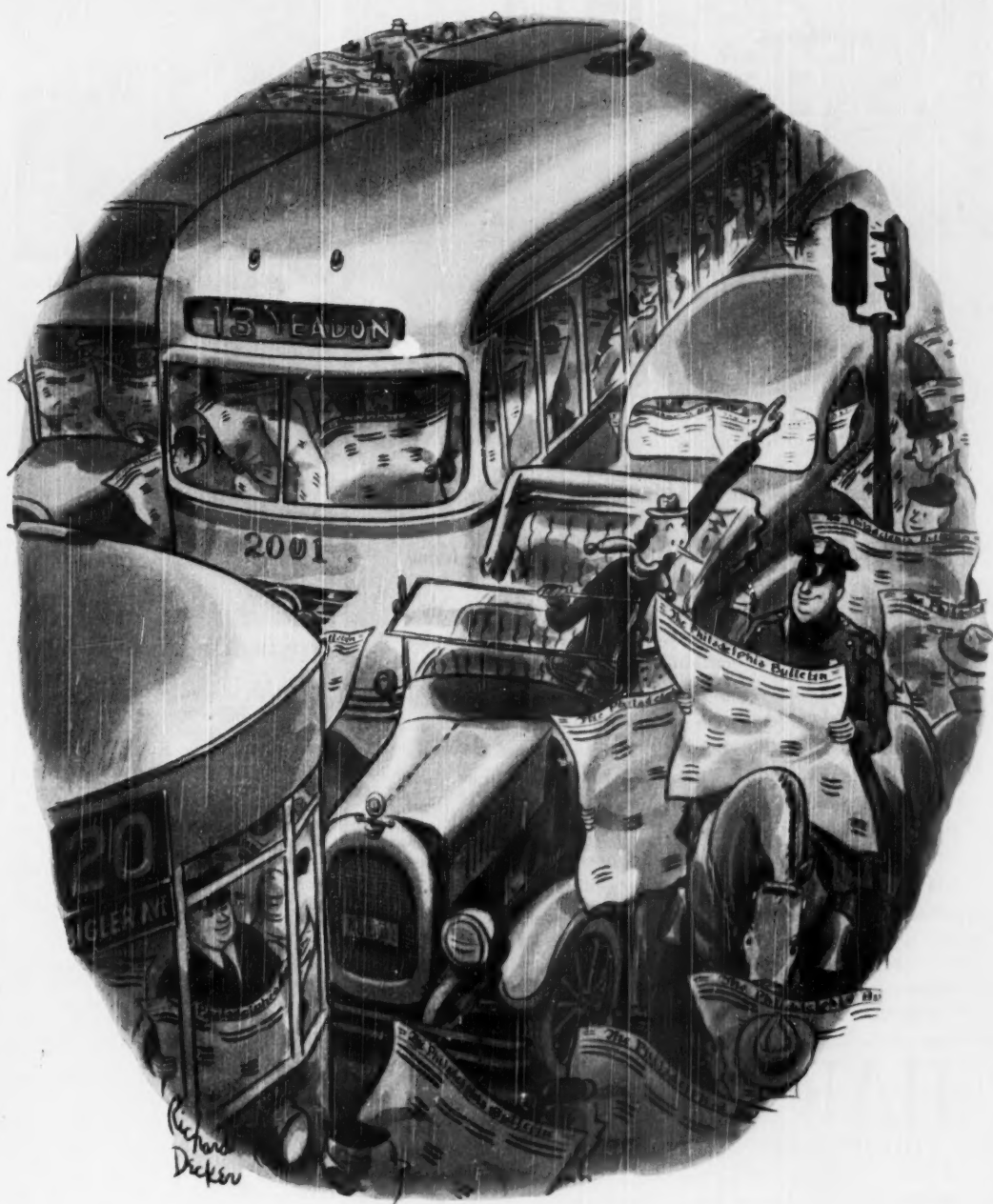
• **Controller's Work**—While these studies and changes were going on, the finance department was hard at work on its end of the streamlining job. At the top were Charles E. Masters, 50, vice-president in charge of finance, and Controller Richard H. Means. Soft-spoken, quiet, and the company's financial whiz, Means had his whole staff doing a deep cost analysis. That came in handy in the fall of 1948, when the buyers' market suddenly became an actual fact.

On the basis of the groundwork it had prepared, the controller's office was ready. The groundwork: an analysis of production costs, plant by plant. To get standards, it compared each plant with plants of similar size and type in other industries. These comparisons showed where and how efficiency might be increased.

• **Road Map**—These data gave production executives a road map to follow in tackling their cost problems. Two men shared the responsibility for getting the



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3



FINANCE HEAD MASTERS guided . . .



CONTROLLER MEANS' cost-cutting.

project to its destination. First was Lewis R. Sanderson, 58, vice-president in charge of operations. A graduate of Iowa State College, Sanderson has been in the gypsum industry all his life. Helping Sanderson was Fred A. Manske, general production manager, who has been with the gypsum industry for more than 25 years.

Together, these two veterans went to work. The program started with a meeting of plant managers in the winter of 1948. The two men gave every plant head a detailed analysis of his operations and a point-for-point schedule of necessary cost cuts. The records of one plant were set up against the records of another, and the records of all plants were compared with company standards.

• **How to Save**—The savings goals gave managers a definite dollar target. Some of the items: fuel, electricity, waste, size of labor crews, overtime, materials. The schedules pointed out, too, that plant managers should give some consideration to other factors, like weight of finished product. (Reason: Savings here would mean savings both in materials and in freight charges.)

There were more specific results. One came from teamwork among researchers, quality-control experts, and production staff men. Together, they figured out a

new formula which would keep the quality of wallboard up to snuff but would cut the use of some of the more costly ingredients. Savings on this item came to several hundred thousand dollars a year. Another saving came much more easily: A half-inch was cut off the length of bags used to package plaster and lime.

• **Vigilance**—Once such aims were accomplished, National Gypsum didn't relax its vigilance. The whole effect of a cost-cutting program could disappear unless everybody kept an eye on what was happening. So men from the controller's office visited each plant frequently, held sessions on cost control with supervisory personnel. They showed key men in the mills and plants how their costs compared with others with similar responsibilities.

The general pattern followed in production was used in hacking costs in other parts of the company. Late in 1948 Edgar T. Obenchain, head of the purchasing department, made a survey of 20 major items purchased. Then it studied the trend of prices of these items, came up with an estimate for 1949. From this analysis and forecast, Obenchain figured that his department could cut the cost of these items by several hundred thousand dollars in 1949.

• **Inventories Flexible**—Obenchain put a flexible inventory policy into effect. Through 1949, National's inventory position covered a broad range. In some items it carried extended inventories; in others, items were kept in such tight supply that the company engaged in almost hand-to-mouth buying. This plan gave the company a chance to take advantage of changing conditions, to make a good thing out of every price shift.

The purchasing department didn't stop there. It assigned specialists to work hand in glove with suppliers to help them cut manufacturing costs—and thus lower the price. It got further savings by finding less expensive materials which would do just as good a job as more expensive materials had done in the past. Finally, it figured out what it might make itself rather than buy.

National Gypsum had already given the purchasing department a prime example of what could be done along this last line. In 1946, the company had bought two paper mills, another later. These mills now produce over 750,000 tons of paper a year and supply a large part of the company's heavy consumption. Right now this production is saving over \$1-million a year.

• **Distribution Importance**—Through all this activity, the company had its eye on one major fact—the shift from a sellers' to a buyers' market. Trimming down the waistlines of production, purchasing, and all the rest naturally was



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a vital factor in this. But President Baker feels that the most important project of all was the studies of distribution costs. Said Baker: "The solution of our distribution problems will mean our bread and butter in the years ahead."

These studies were headed by Dean DeForest Crandall, 49, vice-president in charge of sales. He had the controller's office make a study with two major aims: (1) to determine the areas into which each plant could ship its products at lower cost than any other plant; and (2) to determine which parts of the area were the most practical markets in the light of current conditions.

• **Reorganization**—Armed with the results of these studies, Gypsum sales executives are redefining territories, reassigning salesmen, and conducting local campaigns to meet local demands. The upshot is that sales management is reorganizing the sales force in each of the company's 16 districts.

How did this over-all program affect National Gypsum's management? In the first place, it was obvious from the start that management had to expand to meet the physical expansion of the company. How that expansion was to take place came out during and after the surveys.

In the second place, the changing business climate required a lot of major shifts among personnel within the company; in some departments it meant cutting the staff, in others greatly expanding the staff, in still others moving men from one place to another.

• **More Changes**—For example: The engineering department had naturally mushroomed during the period of plant expansion and improvement. After the studies, it was cut back sharply. But at the same time, the buyers' market called for a much bigger sales staff—and careful training of its members. National repeatedly boosted the size of its sales force by recruiting trained salesmen and by setting up a training program for selected college graduates.

As a result of all these changes and developments, National has adopted an unusual on-the-job training program for all key personnel, from vice-presidents to foremen. Formerly there were periodic meetings of sales and production managers held in the central office. Now executives from Buffalo are touring all sales offices and plants. Through this practice they are getting closer to the practical day-to-day problems facing their company.

• **Morale, Efficiency**—What does all this instruction, guidance, and contact with the big shots mean to the workers? According to National Gypsum, nobody resents it. In fact, it says, its new program has done more than almost anything to raise both company morale and over-all efficiency.

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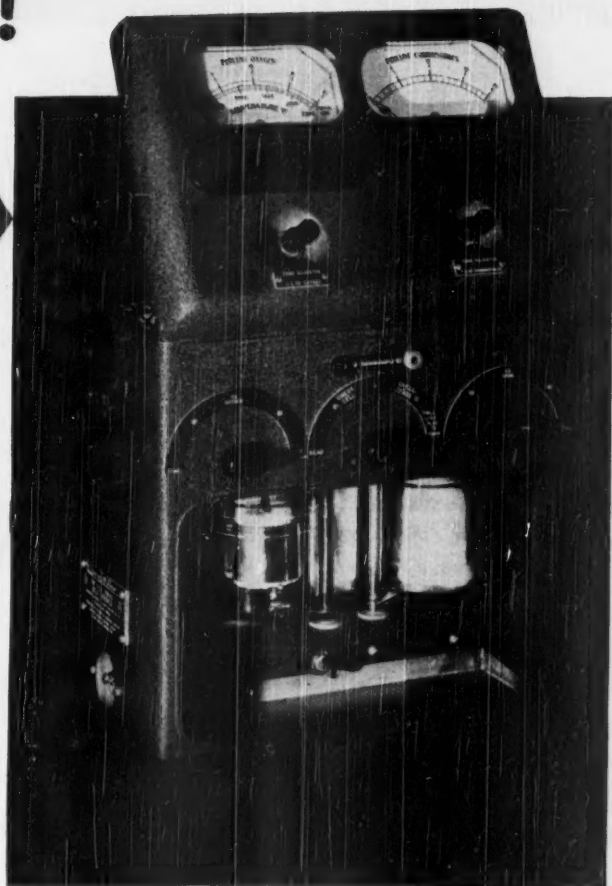
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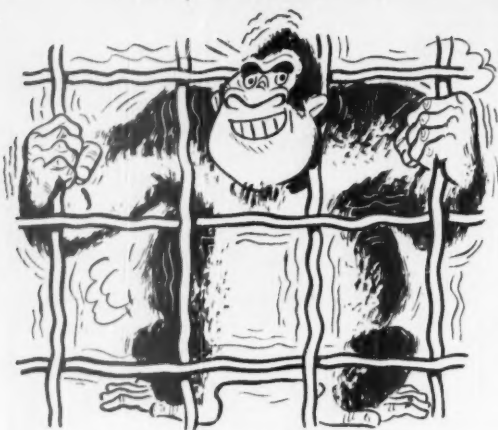
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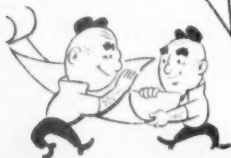


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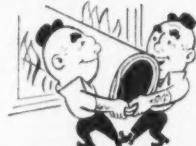
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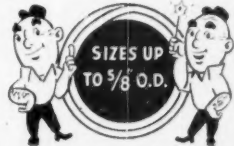
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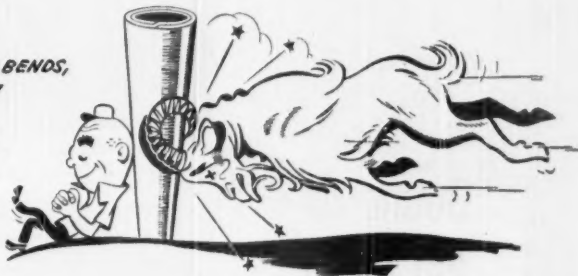


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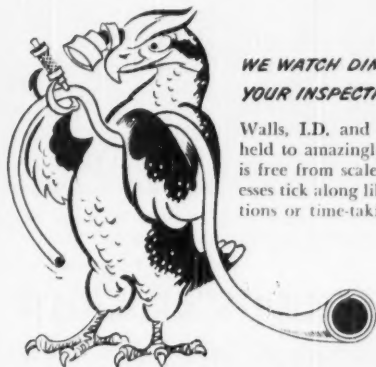


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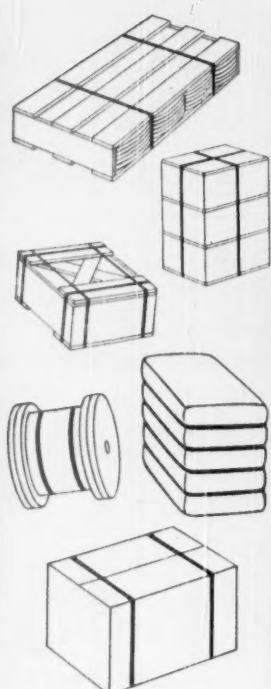


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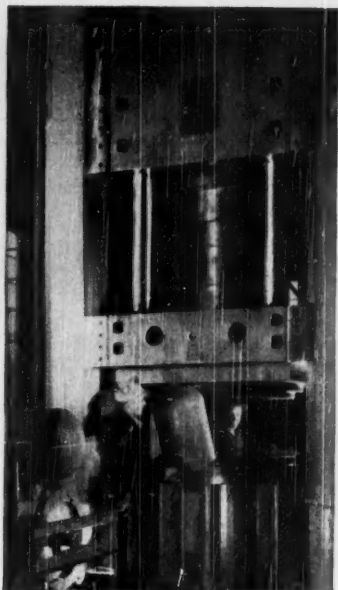
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PRESS, built by Hydraulic Press Mfg. Co., makes tank half in one stroke, using . . .



DIES which make one drawing, then reverse the draw and complete the process.



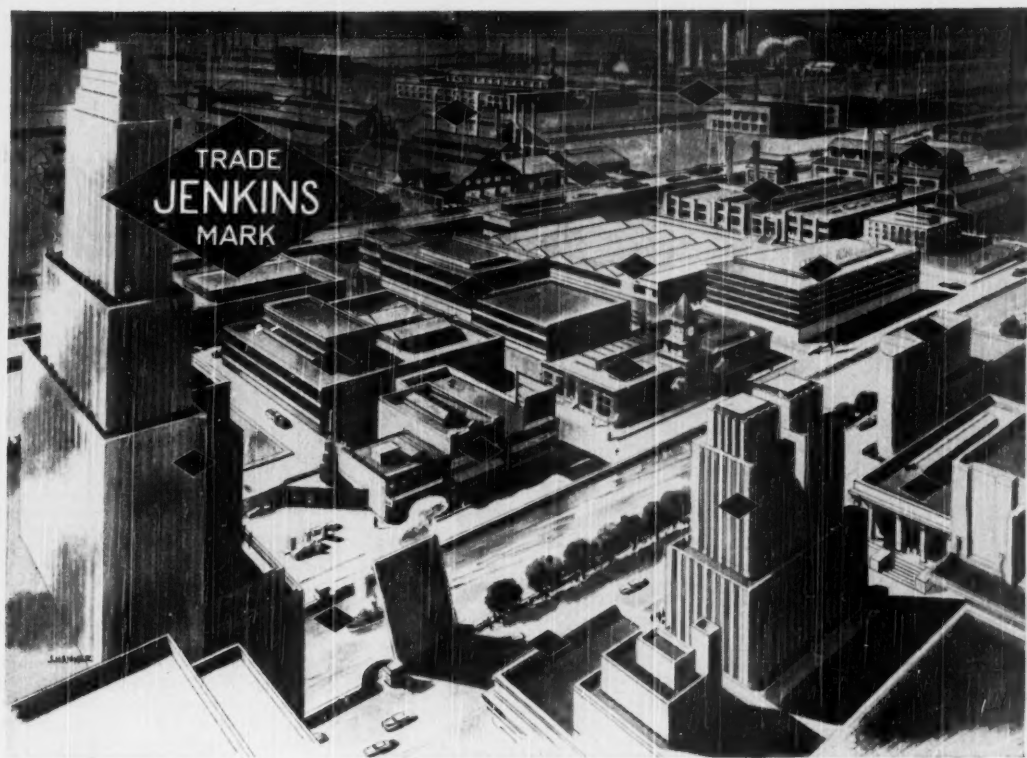
METAL starts out as a steel blank (left). The single press stroke puts it through the rest of these stages and finally turns it into a finished steel tank half (right).

Everything Happens at Once

New steel pressing process produces deep-drawn pressure-tank parts with a single stroke of a giant new press using special dies.

It's a fairly simple matter to press a sheet of steel into a finished part—unless the finished piece is too deep, too curvy. If you try to press it too deep it will draw thin and maybe tear. So usually you press a deep-drawn part several times in a series of dies—with intermediate annealing to relieve stresses locked into the formed part during pressing. But these progressive dies are expensive, they take extra time, handling, and equipment.

So it is big news this week that a Pennsylvania steel-working company has found a way to do deep drawing with a single stroke of a single press. Scaife Co., Oakmont, Pa., does this with a special press using a new die design. Scaife's process saves time and money because it eliminates intermediate dies, extra annealing ovens, and back-and-forth handling of parts in the presses. Besides, Scaife engineers say that the finished part is uniform in thickness



Acres of Diamonds

YOU SEE only the structures of commerce, soaring skyward . . . the strange new shapes of industry stretching beyond. Yet all around you are acres of diamonds. Diamonds that identify the thousands of Jenkins Valves on duty in the many different types of buildings essential to modern civilization.

Nothing holds its value like the diamond, in valves as in gems. Four generations of American builders have placed their trust in the Jenkins diamond and signature trade mark. Today, as in 1864, Jenkins Valves are the choice of men who plan shrewdly, always with an eye to future maintenance and operating costs.

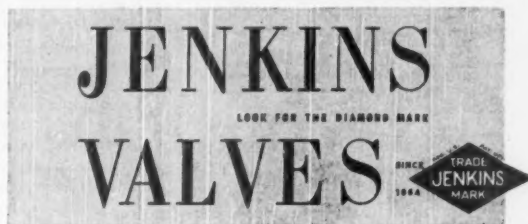
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records in every type of service. They know, too, that there is extra value in the *experience* Jenkins Valve specialists can apply to any question of selection, installation, or maintenance.

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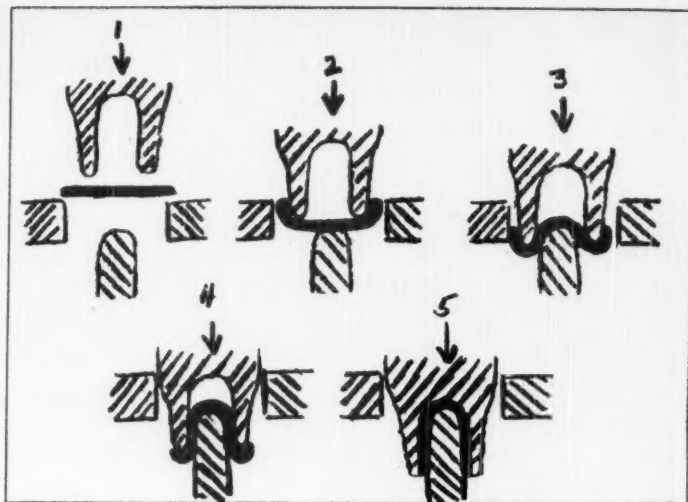
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In the Midwest, call your Panama-Beaver man



STEP BY STEP, here's how Scaife's new dies form a part.

and quality, so the number of rejects is reduced. Other advantages include savings in plant space and elimination of lubricating and degreasing steps. According to the engineers, the process is easily applied to low-alloy, high-tensile steels.

One disadvantage: If you want to change dies, it's costly, because they are huge complex affairs, and you have to shut down your presses for long periods. But for making a single type of part it's fine, because you can get as many as 100 to 144 pieces per hour.

• **Makes Gas Cylinders**—Scaife is applying the process to petroleum gas cylinders. The company starts with a 12-gage steel blank, blanked out into a 38½-in. circle. At the end of a single stroke of the press, the blank has been pushed into a cup 14½ in. across and 24½ in. deep. The press operation makes the two halves of the cylinder which are later welded into a unit about 4 ft. long.

Two draws—in opposite directions—are obtained in a single stroke of the press ram. A hollow punching die attached to the moving ram starts the process and a fixed punch below the metal part fits inside the hollow moving punch, and turns the part inside out—"reverse draws" it—as the ram finishes its stroke.

Here's how it works: A circular blank is fed automatically onto the draw ring of the press (diagram 1). As the ram descends, the hollow punch forms the sheet into a cup 21½ in. across and 12½ in. deep (diagram 2). At this point the press ram is about halfway down.


The ram continues to descend, and the already formed cup is drawn be-

tween the tapered end of the hollow punch and a spring-backed ring (not shown in diagram). Gradually the formed cup is forced over the stationary solid punch (diagram 3). That turns the cup inside out, draws it down to 14½-in. diameter (diagram 4). By the end of the stroke, the cup is completely formed to its 24½-in. length (diagram 5). At that point a hydraulic device knocks the formed cup off the punch as the ram ascends for the next cycle.

• **Not Brand New**—What Scaife is doing has been done before—but only on small pieces and with light metal. Buhl Mfg. Co. and Wheeling Steel have applied reverse drawing to small lightweight parts. Maximum reduction (ratio between diameters of sheet at start and finish of operation) up to this time has been around 49%—about 40% of it in the first reduction. Scaife's system reaches, in one cycle, a reduction of 63% (in experiments as much as 70%).

Scaife isn't going to stop there with the process. The company has bright plans for adapting the press to most of its cupping operations (it specializes in formed steel pressure tanks of all sizes). Scaife figures that, with appropriate dies, cups ranging from 10 in. to 30 in. in diameter and from 1 ft. to 6 ft. long can be turned out on a production basis.

• **Combined Operation**—Scaife engineers had the basic idea; Hydraulic Press Mfg. Co., Mt. Gilead, Ohio, built an appropriately powered and controlled press; and Schnell Tool & Die Co. of Salem, Ohio, designed and manufactured the dies now in use. The press is more than 28 ft. high, weighs 253,000 lb., and cost about \$250,000 in-



How a thoughtful Plan took the teeth out of Tragedy

AN INCOME FOR LIFE? . . .

I don't understand, Mr. Cartwright. How . . . ?

Hasn't Steve told you, Madge? He certainly knows about it. He was at the meeting the day we announced it. Let's see . . . Why, that was just three days before his accident.

I suppose he hasn't had a chance to tell me.

I know. It's quite simple, Madge. Steve has a substantial income coming to him for the rest of his life to take care of you, the children, and himself.

That's the best news I've heard in three weeks.

It is good news. You know how I feel about Steve. He was one of our most valuable men. Being able to tell you that you won't have to worry about money—even his hospital expenses—makes me very happy. Two months ago I could only have told you I was sorry . . . nothing more. Today, I can assure you that, although Steve will probably never work again, he'll be paid regularly.

But Steve's salary isn't small, and he wasn't injured at work. Why are you taking on such a responsibility, Mr. Cartwright?

It's part of our business set-up, Madge. You see, we naturally feel a sincere obligation to take care of our employees, particularly important key men like Steve. Actually, all we pay is the comparatively small amount the plan costs—and it's a very small amount indeed compared to our great satisfaction in knowing that your misfortune has been lessened by our plan.

Cartwright is talking about Connecticut General's BUSINESS ACCIDENT INSURANCE PLAN.* Both employers and employees are protected against

the hazard of temporary or permanent disability caused by accidents incurred at or away from work. The employee is guaranteed an adequate income during the period of disability. The employer is relieved of a severe strain on operating expenses. Each gains.

Here's a genuinely practical solution to what might be a major problem. Many companies have adopted this Plan for their executives, technicians, and other key employees—or as a substitute for group insurance in small organizations. Wouldn't it be well to consider its advantages to your business? A phone call to your nearest Connecticut General representative will bring you complete information.

**Health protection may be added.*

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skylines...

by Otis

Toronto, which began as a wooden stockade on a site known to the Indians as the "place of meetings", has grown to be Canada's commercial and financial capital and a great educational and cultural city. The home of Toronto University, it supports two symphony orchestra organizations and stages the annual Canadian National Exhibition which is the industrial show window of Canada. Toronto's skyline, which includes the tallest skyscraper in the British Empire, is served by 3,724 elevator installations — of which 2,174 are by Otis.

STAIRWAY TO THE STARS.

Loge and balcony seats are as popular as those in the orchestra in the new \$2,000,000 Skouras Calderone Theatre in Hempstead, Long Island, N. Y. They're just as easy to reach. It doesn't take a bit of effort or exertion to travel from the lobby to the mezzanine on the Escalator.



THIS IS HOW IT'S DONE.

You've probably noticed that aisles in well-managed stores are free of cartons and crates. And you always have a full selection of everything. It's done very simply with an Otis Undercounter Dumbwaiter.

SHE WON'T GO IN!

Hotel managers! Don't let lucrative convention business pass you by — because your freight elevator can't handle display material. We'll be glad to help with your modernization plan.



If you're interested in knowing more about Undercounter Dumbwaiters for stores, restaurants, clubs, etc., write for Otis Booklet A-380-L.

ELEVATOR COMPANY

Home Office: 260 11th Ave., New York 1, N. Y.

stalled. Dies are priced between \$12,000 and \$15,000.

Scaife has the first such press in operation for steel, but other pressure vessel makers aren't far behind. A second press of the same type is under test at Hydraulic Press. That one is going to Sheffield Steel Corp. A third one is now being built for Weatherhead Co., of Cleveland. And Scaife has room for three more in its factory addition built especially to handle the first press.

• **Bright Future**—Scaife engineers visualize the day when complete pressure vessels will be drawn by this method, eliminating the welding of two halves. But right now, they are happy about the potential production savings the process already offers. They can't pin down exact savings yet, since their automatic-handling equipment, which is now being installed, won't be in full operation until February.

That final setup will feed sheet steel through a blanking machine, a cleaning and lubricating tank, and then to the forming press. After forming, the cups will be carried through a stress-relieving furnace (the newly developed process still requires a stress-relieving operation) past a cooling spray to clean off die lubricants.

• **Old, But Sharp**—Scaife's decision to sink a pile of money into the deep drawing process and its automatic handling setup doesn't seem unusual to industrialists who know the company as a fast-stepping outfit, despite its age. One of the oldest companies west of the Alleghenies, Scaife is almost 148 years old. It has been managed by five generations of direct descendants of the original founder. And it has always stayed up front in the metal-fabricating field. In past years it has made products ranging from sponge buckets for the war of 1812 through smoke stacks, steel barrels, bridges, and kitchen range boilers to the pressure vessels it makes today.

THE TUBE IS S-O-O-O SMALL

General Electric Co.'s Tube Division thinks it has the shortest cathode-ray tube ever to go into production. It measures just 3 in.

Originally the tube, designated Model 3MPI, was designed for use in small industrial oscilloscopes. But GE now looks for other applications—in television servicing, industrial test apparatus, and electronic devices.

Special processing of the tube's screen gives a brighter trace than normal tubes of the same electrical ratings, GE says. With a bulb diameter of 3 1/2 in., the 3MPI has a useful screen diameter of 2 1/4 in. It is equipped with a base that is standard for all types of television tubes.



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The strange adsorptive power and almost unbelievable selectivity and capacity make *Pittsburgh* Granular Activated Carbon ideal for gas and liquid phase adsorbent applications. Its uses include solvent recovery, air and water conditioning, catalysis, catalyst support, chemical purification and antibiotic isolation. Chemically stable and readily regenerated, it has high density and good abrasion resistance. Activity characteristics are carefully controlled for specific application. It is economically produced from selected raw materials as part of integrated Pittsburgh Coke & Chemical Company operations.

This granular carbon is offered in 10 basic grades and in sizes from 4 to 30 mesh (finer sizes for special cases). A complete line of pulverized activated carbon is also available.

Whatever use of an adsorbent is indicated, in refining, manufacturing or processing, *Pittsburgh* Activated Carbon may offer advantages of economy and efficiency. Your inquiries are invited.



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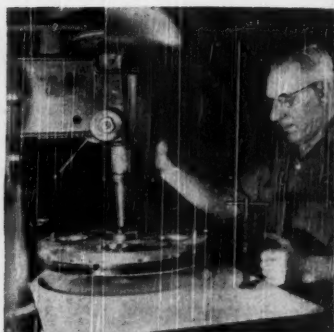
Pittsburgh Activated Carbon Solves Process Water Problem!



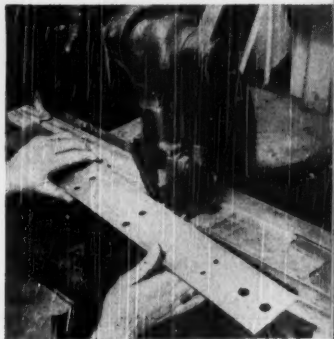
[Faint, mostly illegible text describing the application of Pittsburgh Activated Carbon in water treatment.]



TAKING TEMPERATURE: Production-line methods check operating temperature of finished rectifier. Heat-sensitive thermocouples are clipped to vital parts (right) inside rectifier. Connecting switchboard and thermometer (left) register hot spots.



CIRCULAR SAW cuts holes for ventilating baffles. This used to be a hand job.



HEAVY-DUTY HAND PUNCH again takes place of elbow grease; it makes a fast, clean hole in thick copper bus conductor.

How Assembly-Line Methods Turn Out a

Custom-built products have a way of getting out of hand when it comes to cost. But W. Green Electric Co., Inc., New York, is proof that smart planning can keep a small manufacturer of such made-to-order products in the competitive picture.

In Green Electric's field—it makes selenium-rectifier power units for electroplating—the death toll is grim: The mortality rate for the industry has been 50% since the war. Yet Green Electric is very much alive.

• **Tools and Incentives**—What the company has done is use mass-production techniques wherever possible—mainly via small power tools. It has kept prices comparatively low by cutting man-hours. Since the war, it has been able to chop the man-hours spent on one unit from 169 to 70—often thanks to suggestions of the employees themselves. The company likes to think that its incentive plan has played a part in that.

The pictures above show some of the spots where machines have stepped in

to step up production. But they don't tell the whole story.

• **Cutting Against Time**—Take the business of cutting steel panels. This was a slow job until someone found the answer—a jigsaw. By getting just the right blade and the right operating speed, the operators had a saw biting into steel panels $\frac{1}{4}$ -in. thick just as though the panels were wood.

Sometimes the production snag is a hole in the metal. If a hole of a certain shape shows often enough, the production department designs a die-and-cutter type punch for that particular shape. The punch fits through a panel the way an ordinary nut and bolt does. Then the operator tightens the die, the way he would tighten the belt. This makes the cutter bite into the panel, as a nut would cut, and slice out a hole. Powered by a heavy-duty, electric hand tool, the punches knock out a clean hole for a 3-in. meter in a minute.

If the panel is to have a number of holes of a set pattern, the company finds

it cheaper to pay the panel manufacturer to process them.

• **Bonus System**—The bonus for fast work is another factor in Green's system. The extra-payment plan is based on a standard number of hours required to make a certain model.

Here's how the system works for Model 6A, a high-current rectifier:

The standard set for this is 70 man-hours on the production floor. If the unit is finished in 70 hours flat, the company pays a bonus equal to 48¢ an hour over the regular wage rate of \$1.05 an hour. For each hour less than the 70-hour standard, it pays an additional bonus of 72¢. In both cases, the bonus is divided equally among all the shop employees who are on hourly rates.

When a crew runs over the standard time, the company deducts from the base bonus pay of \$33.60 (48¢ per hour for 70 hours) at the same hourly rate (48¢) that it adds for work finished on schedule.

• **Less Paper**—Even on paper work, Green Electric has taken its cue from



ONCE-OVER for completed rectifier. From top to bottom, components are ventilating fan, selenium rectifier, electric connections.

Tailored Job

mass producers, adapted its system for smaller-scale output.

Every incoming order gets a serial number assigned to it. That number identifies work at each stage, finally appears on the nameplate of the equipment. Any paper work or correspondence on the order is earmarked with the number.

To get around the burden of multiple carbon copies, Green is using a single-sheet scheme. All the information, staff O.K.'s, production-line checks on an order go down on the single-sheet copy. The sheet itself moves with the order from production to shipment. Spot checks at critical points along the chain of command make sure the form isn't mislaid or derailed. (A card-index file in the front office guarantees against disappearance of the traveling form.)

When the order has been shipped, a shipping follow-up is mailed to the customer. This covers the test department's approval, shipping procedure, billing, and operating instructions. This, too, cuts out a flurry of paper work.

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With Art Metal files—you can be confident of years of efficient mechanical service . . . dependable, adequate filing facilities . . . modern design. Art Metal files offer you many features to make filing easier, more efficient and faster. For example—ball bearing roller, cradle type drawer suspension that enables heavily laden drawers to move in and out smoothly and quietly—adjustable file supports for more effective filing—distortion proof frames for longer life—welded drawer construction for greater strength—and design that saves you floor area while giving you more filing space. Art Metal files come in 2-drawer, 3-drawer, 4-drawer and 5-drawer sizes.

Today, as for more than 60 years, the name Art Metal stands for leadership in designing and building only the best in files, desks, chairs and other all-metal business equipment. Into Art Metal's complete line goes only the finest in materials . . . skilled, careful craftsmanship . . . and sound, competent engineering.

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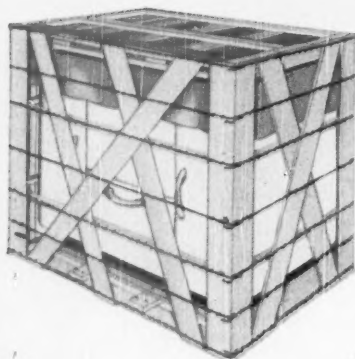
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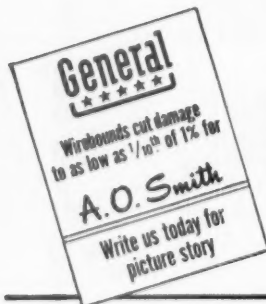


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PRODUCTION BRIEFS

Three cat-cracking plants are in the works at Socony-Vacuum. Construction sites: Buffalo, N. Y., Beaumont, Tex., Brooklyn, N. Y.

Smog samples are electrocuted in air-pollution studies carried out by Stanford Research Institute and California Institute of Technology. A 500,000-v. electrostatic generator bombards samples, analyzes layers one molecule in thickness.

Denver plans a power plant with a capacity of 7,875-kw. as part of its \$15-million development program.

Turbo blowers and gas boosters will be added to the product list of U.S. Air Conditioning Corp.

TV production in 1949 came to about 2.8-million sets, the Radio Manufacturers Assn. says.

New odorants for rubber have been brought out by du Pont. They're supposed to give sulphurous, smoke-smelling rubber products "the scent of mountain air after a summer shower."

Recovery of low-grade ores by flotation is being tried in Alabama by the Bureau of Mines. The process recovers up to 60% in iron concentrates.

Plan for tripled output at Perlite Mfg. Co., Carnegie, Pa., hinges, among other things, on an improved system for materials handling. Perlite hopes to turn out 3,600 of its 4-cu.-ft. bags of lightweight plaster aggregate daily.

Plastic products in 21 product fields are described in Available Patents—Plastic Products & Processes, a Dept. of Commerce booklet. Write: Government Printing Office, Washington 25.

New storage battery built by National Battery Co., St. Paul, Minn., has three concentric cells within a single cylindrical casing. The design cuts down the amount of lead used.

Frozen apple juice will be turned out at a new plant at West Concord, Mass., designed and built for Apple Concentrates, Inc., by National Research Corp.

Electronic Computer Corp., Brooklyn, N. Y., has been formed to manufacture electronic digital computers—"mechanical brains." Samuel Lubkin, the company president, was formerly engineer in charge of computing machines at Ballistics Research Laboratories, Aberdeen Proving Ground.

Hardening

Production up from 14 to 35 per hour, and savings of \$82,507 per year on this International Harvester gear.

Over 4¢ saved on every part, 600 parts per hour when Lima-Hamilton TOCCO-hardens these shifting levers.

Hardening costs cut 80% by TOCCO-hardening wearing area of Link Belt Company conveyor trolley wheels.

Brazing

Kennametal, Inc. brazes carbide tips on these mining machine bits and hardens shanks at the same time. Output—one every 20 seconds.

Nash Motors cuts cost 60%, triples hourly output by TOCCO-brazing drain flanges to automotive oil pans.

A 6¢ TOCCO-brazing job saves \$17.00 tops—saves \$2,000 a month at a midwest automotive parts plant.

Forging

H. M. Harper boosts production up to 265% and die life up to 400% by TOCCO-heating non-ferrous bolt blanks for forging.

Scale was reduced from 2.79% to .79% by applying TOCCO to heating bar stock for forging rock drill bits at Timken Roller Bearing Company.

Forging die life tripled and scale reduced over 99% when Willy's Overland Commercial Forge Plant installed TOCCO Induction Heating for forging.

**All These Jobs, And Probably Some of Yours, Can Be Done Faster, Better
and at Lower Cost with TOCCO® Induction Heating**

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World-renowned universities, technical institutions and private consultant laboratories are right at hand in Massachusetts — ready to help you solve production problems, analyze competitive products, improve quality.

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LABOR IS SKILLED AND PLENTIFUL



MAJOR MARKETS ARE CLOSEST



RESEARCH FACILITIES ARE FINEST



An illustrated book gives the facts on Massachusetts. The color film, "Make It In Massachusetts", is available to interested executives.



WRITE TO: Massachusetts Development and Industrial Commission, Room 1028, State House, Boston 33, Massachusetts

NEW PRODUCTS



SIGNAL GENERATOR supplies impulse for tracing grounded circuit. Signal flows from generator through the circuit to grounded point, then returns.



HAND RECEIVER is passed along a circuit for locating grounded point. Change from pulsating to steady meter reading tells exact location of ground.

Circuit Tracer Spots Grounded Lines

New device locates exact point of trouble quickly without stopping production equipment.

Locating a grounded circuit in isolated (ungrounded) plant electrical systems takes time and money. With present techniques, one circuit after another must be shut down until the faulty one is spotted. Then it's another job to locate the spot where a ground has occurred along the circuit. To make the repair, this trial-and-error method might take hours or days, a crew of electricians, and even interruption of production.

C. D. Allen, maintenance electrician at International Harvester Co.'s Tractor Works, has developed a detector that traces grounds while all circuits are live and equipment is operating. Development and test work was carried out at International Harvester Co. for a year. Manufacture of the Allen Ground Detector is handled by Ferr Mfg. Co., Chicago, distribution by Excel Electric Service Co., 2121 S. Western Ave., Chicago 8, Ill.

• **Two Units**—The apparatus consists of a signal generator and a hand signal receiver. The generator superimposes an audio signal on the grounded-phase conductor of a system. The signal flows through the conductor to the point of the ground and returns to the generator over the ground path.

A ground is traced and spotted by passing the hand signal receiver along feeders, distribution cabinets, and

branch circuits to equipment. A meter on the receiver shows the signal from the generator by giving a pulsating reading. When the point of the ground is reached, the meter changes to a steady reading.

A standard unit has a testing range from 220 v. to 550 v., a.c. or d.c. Model SG is designed for permanent installation in substations. Another, model SGP, is for portable work.

CLEANER FOR AIR FILTERS

When dust layers build up inside a cloth-screen dust filter, the cleaning efficiency of the equipment drops off. Generally the filter must be shut down to shake out the collecting bags. This means a loss of time, increased wear, and possible damage to the filter cloth.

Most of these problems are said to be solved by a device made by W. W. Sly Mfg. Co., Cleveland, Ohio, for its cloth-type dust filters. The attachment, called Dynaclone, cleans the collecting bags while the equipment is operating. There is no shaking action to cause wear and tear.

A suction housing, traveling from end to end within a collector, blocks off a number of filter bags during its travel. A flexible tube attached to the housing allows outside air to enter into the filter at atmospheric pressure. Since the

chamber containing the filter bags operates under suction from an exhaust fan, outside air is sucked in through the tube and housing automatically.

Air coming through the housing loosens and removes dust from the bags, causes it to drop into a hopper at the bottom of the collector. Not more than 3 or 4 of the 200 or more bags in an average-sized collector are blocked off at one time, so the filtering system continues its normal operation.

PORTABLE ASH TRAY

A cigarette holder, developed by R. J. Turner, P.O. Box 211, Montebello, Calif., looks like one answer for husbands who drop ashes on carpets. The holder, called Seal-ette, slips over the burning end of a cigarette (not the end that goes into your mouth) and acts as its own ash tray.

The cylindrical holder is of plastic, with a fine-mesh stainless-steel screen along part of its length for draft and dissipation of heat. A hinged metal cap on the end of the holder opens and closes to receive cigarettes and to shake out ashes. After the smoker fires his cigarette up with holder attached, it can be stood on end on a table or desk.



Automatic Repeater For Typed Form Letters

One of the time-wasting chores of secretaries and typists is the writing of form letters that differ only in address and salutations.

Auto-Typist, Model 5060, developed by American Automatic Typewriter Co., Chicago, makes the job easier. With this device, the company says, any standard typewriter automatically types up to 100 average-length paragraphs.

Auto-Typist is set up with two paper

rolls, on which the paragraphs are perforated. To get the paragraphs wanted, the operator presses push-button selector keys. The perforated rolls operate the typewriter pneumatically to produce the letter. Operating speeds can run as high as 150 words a minute. Each of the rolls has a capacity of 500 lines of typewritten copy.

The machine also addresses envelopes automatically at the rate of almost 1,500 a day.

A billing typewriter may be adapted to Auto-Typist to convert the machine to automatic billing work. A list of accounts is set up on one of the rolls. The machine automatically prints the heading of a bill, address, terms, and services rendered.

NEW LIFE FOR OLD CELLS

As a storage battery grows old, it develops an internal resistance that cuts down its operating efficiency. H & H Products, 306 Boyd St., Los Angeles 13, has a unit, called Re-Ionizer, that brings old cells back to life.

The unit removes crystallized salt deposits from the plates of a cell to cut down the resistance that has been built up.

Re-Ionizer comes in two models: One is powered electrically, the other by a gasoline motor. Both models are equipped with rubber-tired wheels, and are portable for servicing work.

NEW PRODUCTS BRIEFS

A refrigerator condenser uses a plate construction to increase contact surface by 70% over conventional units. The trick is a mechanical bond between the refrigerant tubing and light-gauge sheet metal. Manufacturer: North Chicago Division, Houdaille-Hershey Corp., North Chicago.

Low-cost fire protection for the home—an alarm and detection system—is made by International Morse Products, Cleveland. Small thermal units, spotted throughout the house, connect to the main alarm unit. If the temperature rises above 150°F the alarm goes off.

Decal designs and lettering of 23-karat gold can be cut from transfer sheets made by M. Swift & Sons, Inc., Hartford, Conn. Cutouts are soaked in water for 30 sec., to remove gold film from backing sheet. Then the gold film is applied to wood, metal, leather, or glass. The decals won't tarnish, will withstand normal wear.

Portable electric steam-generator is designed for flour-milling and feed proc-

No need to
lift drum
just roll
down

on handles
and drum
loaders

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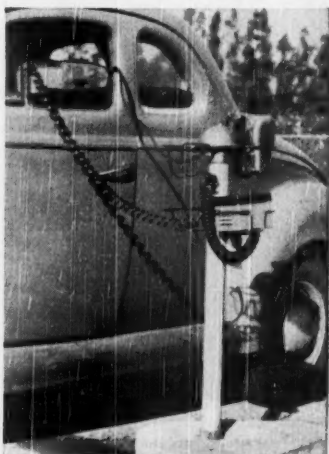
EMPLOYERS MUTUAL FIRE INSURANCE COMPANY

essors by Wolf Co., Chambersburg, Pa. Dry steam from the generator helps remove dirt from grain, kills insects, sterilizes freight cars and trucks before loading.

Interleaved carbon forms, like those on an order pad, are separated by a machine called Redi-Rip. It tears a multi-sheet copy at the perforation stub, eliminates damage to forms separated by hand. The device is adjustable to most sizes of paper. Maker: Redi-Rip Co., 1594 W. Hopkins St., Milwaukee 6.

Three-dimensional bed blanket, has two mitred corners and slide fasteners built into one end. After the blanket is in place, the fasteners are closed to make a tight, envelope fit around the corners of a mattress. The blanket comes in three sizes and seven colors. Made by Wool O' The West, 6639 N. Baltimore, Portland 3, Ore.

O-Rings for shaft and piston seals on reciprocating machinery are made from injection-molded rubber. The maker, Minnesota Rubber & Gasket Co., 3630-X Woodale Ave., Minneapolis 16, says injection molding provides closer tolerances, and lower cost. The O-Rings withstand oil pressures of 3,000 psi.



It's Cold Outside

Cold weather has always put a chill on the drive-in theater business. Now National Heaters, Inc., 1647 Victory Blvd., Glendale, Calif., has a device that will let drive-ins operate at nipping temperatures. It's a small 200-watt heater that hooks over the top of a car window, connects to a loud-speaker post outside. The waterproof unit runs from 220 v., has an extension cord which can be stretched to 10 ft. in length.



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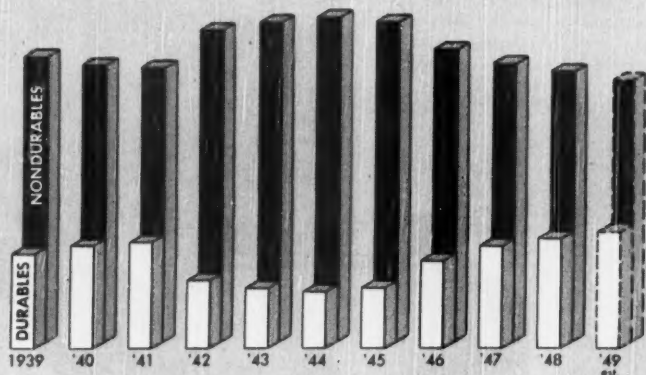
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MARKETING

Durables Getting Larger Percentage of Retail Sales



Data: Dept. of Commerce.

© BUSINESS WEEK

More and More Hard Goods

Flush incomes, war shortages, freedom from instalment debt meant that the postwar consumer put his money into autos and TV sets faster than into food and clothes.

The graph above charts a little-noted trend that marketing men would do well to watch:

Ever since the war's end, hard goods have been taking a growing chunk of the retail dollar.

• **Postwar Boom**—Back in 1939, appliance, auto, and other durables dealers made 25% of all retail sales; soft-goods retailers—handling food and apparel, for example—got the rest of the business.

During the defense boom of 1940-41, the durables' share rose to 28%. Then it slumped to 15% in 1944, as hard-goods makers converted to war production.

But since 1945, the percentage of hard-goods sales has zoomed. Last year it hit a record high—31% of retail sales.

• **What It Means**—It's fairly obvious what this trend can mean for the U.S. distribution system and for the pattern of industrial production, too. If the hard-goods' share continues to rise at a rate anything like 2% a year, there would have to be a vast expansion in the production-capacity and the number of durable-goods manufacturers, wholesalers, and retailers.

On the other hand, firms in soft-goods lines would have to be satisfied with a sharply reduced share of sales. Even so, this might mean higher dollar

volume; emphasis on durables is a prosperity phenomenon.

However, even if the durable proportion stays the same or drops a little, the long-term impact on the economy would be great. You might find, for example, that the number of soft-goods dealers remains nearly constant, while normal economic growth puts most expansion into hard goods.

• **Behind the Climb**—You can get a pretty good idea of what the future holds from an analysis of the factors that produced the trend in the first place.

Income. Perhaps the greatest single factor was the sharp rise in the general level of income since 1939. It's an economic axiom that when people get more money, they allocate only a little more to food and clothing. Usually, they sink the bulk of their extra cash into cars, radios, jewelry, and the like—the expensive nonessentials that they have always wanted.

Demand. Almost as important in producing the shift to hard goods were the vast backlogs of demand that accumulated during the years of wartime scarcity. After reconversion, people rushed to buy with an eagerness compounded of long-deferred desire and current need. Thus, last year's sales of radios, electric washers, and refrigerator-

tors were about double those of 1939.

Credit. Along with the backlog of demand went a backlog of credit. Credit restrictions and a limited supply of goods during the war penned up a vast amount of easy-payment money. When the government lifted the gates, and goods came back to the counters, credit sales soared. In the last three years, the amount of consumer credit outstanding jumped \$7-billion—close to 70%.

Progress. Technological progress also had a hand in bringing about the shift. Television, for example, has mushroomed to an annual sales rate of 3-million sets; in 1939, the number was practically zero.

• **The Future**—Then what lies ahead? That depends largely on what happens to income: If it stays high—as it is expected to—then people will still have the money to pay for durables. What's more, they will have enough confidence in the future to want to buy. And that would tend to sustain the current high proportion of hard-goods purchases.

But there are bearish factors, too. For one thing, war-built backlogs are nearly exhausted, and industry has to gear itself to lower levels of replacement demand. By midyear, for example, will the auto boom be over? Will the boom in residential housing begin to taper off?

• **Trend Persists**—But all in all, it looks as if hard-goods sales will, for a while, hang on to a larger piece of the retail dollar than they did in 1939. But they won't reach the 1949 level again soon.

FTC Drafts Rules To Cut Auto Overcharges

Some 50,000 businessmen got a personally addressed piece of mail from the Federal Trade Commission in Washington last week.

The mailing piece: FTC's proposed trade-practice rules designed to eliminate concealment of overcharges in new and used-car instalment sales.

The companies on the receiving end: almost all of the country's estimated 45,000 new-car dealers, and most of the finance companies that handle such instalment contracts.

• **Contract "Pack"**—The proposed rules grew out of a meeting held in Washington last September which was brought on mainly by complaints car buyers had lodged with the American Automobile Assn., congressmen, and Better Business Bureaus. Customers said that dealers were soaking them by concealing in the instalment contract a "pack"—or an overcharge.

AAA cited examples of customers whose instalment contracts had concealed as much as \$250. The money neither covered the price of the car,

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nor the cost of insurance, finance, or other charges.

• **Proposed Rules**—So FTC has come up with proposed rules that would require dealers, among other things, to itemize for their customers: (1) the cash delivered price, including specified extras; (2) the amount allowed on trade-in or the amount of down payment, or both; (3) the amount unpaid on the cash selling price; (4) the cost of insurance, the coverage provided, and the party or parties to whom the insurance is payable; (5) the amount of official fees charged; (6) the amount of unpaid balance to be financed; (7) the finance charge; (8) the time balance owed by the buyer to seller, the amount and number of instalments to be paid, and the time covered.

Hearings on the rules will be held in Washington Feb. 2, with Commissioner Lowell Mason presiding.

• **Effect**—These rules aren't enforceable in court, per se. But the rules cover practices that FTC considers violations of the FTC act. So, any violation of the rules could bring on a formal complaint from FTC.

Otherwise, it's agreed that the main effect of FTC's trade-practice rules will be the publicity that brings the problem of the instalment "pack" to the attention of car sellers and car buyers.



Heads New Ad Group

First chairman of the new Advertising Advisory Committee of the Dept. of Commerce is Ohio-born Stuart Peabody. Peabody, a past president of the Assn. of National Advertisers, is assistant vice-president in charge of advertising of the Borden Co. He joined Borden's in 1924, became advertising director in 1930. The 18-man Commerce committee was set up early in December to advise Secretary Sawyer on advertising problems. Vice-chairmen of the group are Fairfax M. Cone, chairman of the board of Foote, Cone & Belding, and Philip L. Graham, publisher of the Washington Post.

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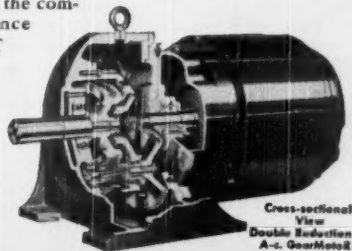
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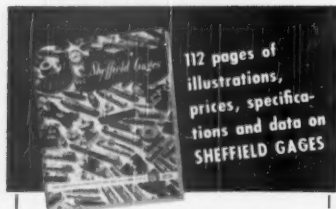
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How Cigarette Brands Did in 1949

Brand	Estimated Domestic Tax-Paid Sales Billions of Cigarettes			% of Total	
	1949	1948	% Change	1949	1948
Lucky Strike (American Tobacco)	94.0	103.0	— 8.7%	26.7%	29.5%
Camel (R. J. Reynolds)	94.0	96.0	— 2.1	26.7	27.5
Chesterfield (Liggett & Myers)	72.0	71.0	+ 1.4	20.4	20.4
Philip Morris (Philip Morris)	32.0	28.0	+14.3	9.1	8.0
Old Gold (P. Lorillard)	17.5	16.5	+ 6.1	5.0	4.7
Pall Mall (American Tobacco)	17.0	14.0	+21.4	4.8	4.0
Kool (Brown & Williamson)	7.5	6.5	+15.4	2.1	1.9
Raleigh (Brown & Williamson)	7.0	3.0	+133.3	2.0	0.9
Tareyton (American Tobacco)	5.0	4.5	+11.1	1.4	1.3
Wings & Avalon (Brown & Williamson)	1.0	1.0	0.3	0.3
Marvel (Stephano Bros.)	1.0	1.0	0.3	0.3
All Others	4.5	4.2	+ 7.1	1.2	1.2
Total	352.5	348.7	+ 1.1	100.0	100.0

Shift In Cigarette Preferences

Camel has tied Lucky Strike for No. 1 spot. Over-all, the Big Three has given ground to the lesser brands—particularly to Raleigh. King sizes still keep gaining.

The number of cigarettes that went up in smoke in the U. S. in 1949 was a staggering 352.5-billion. This not only beat 1948 by 1.1%, but also set a new record for domestic consumption as well.

Yet, impressive as that is, isn't the really big news in the cigarette industry. Tobacco people are getting blasé about new consumption records. (This is the tenth time in a row now that U. S. smokers have topped the previous year's mark.) Here are the trends that really interest the industry, according to a survey for BUSINESS WEEK completed last week by Walter E. Knight, University of Louisville expert on industry trends:

Camels—Edged into a tie for No. 1 spot along with Lucky Strike, which has been in pretty much undisputed possession since 1942;

King-size cigarettes turned in a still more spectacular showing than ever before;

Coupon-selling made a postwar comeback in the cigarette industry;

Lesser brands and smaller manufacturers turned in some pretty hot sales records—at the expense of the Big Three. As a result, the combined sales of Lucky Strike, Camel, and Chesterfield dropped from 77.4% of total sales in 1948 to 73.8% last year.

• **Big Three**—Biggest sufferer in the 1949 shifts in consumer preference was American Tobacco's Lucky Strike. Estimated unit sales of Luckies dropped 8.7% from the year before. In a sense, however, Camel (R. J. Reynolds) only moved into the tie for No. 1 spot by default. It, too, lost sales for the year as a whole, but simply not so much as Lucky Strike. However, Camel has put on a spurt during the past six months that may have carried it by now into possession of the blue ribbon.

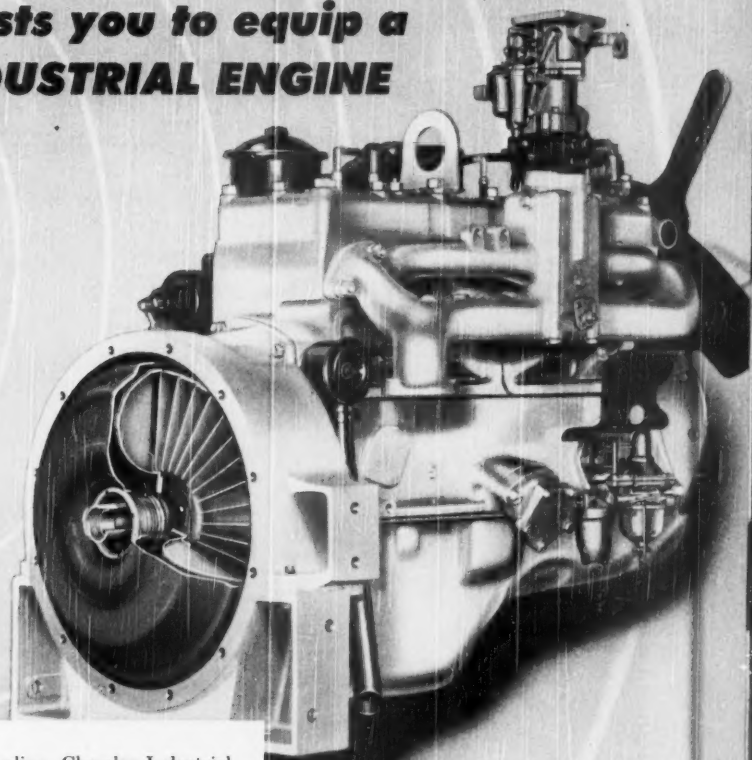
Meanwhile, the third of the Big Three, Liggett & Myers' Chesterfield, continued plodding ahead with a 1.4% gain in sales. That was about the same increase that it chalked up in 1948.

• **Philip Morris and Raleigh**—Philip Morris made capital of the Big Three's

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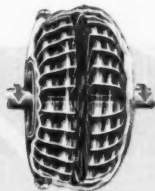
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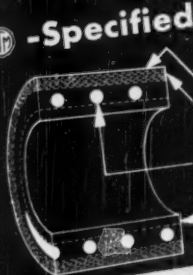
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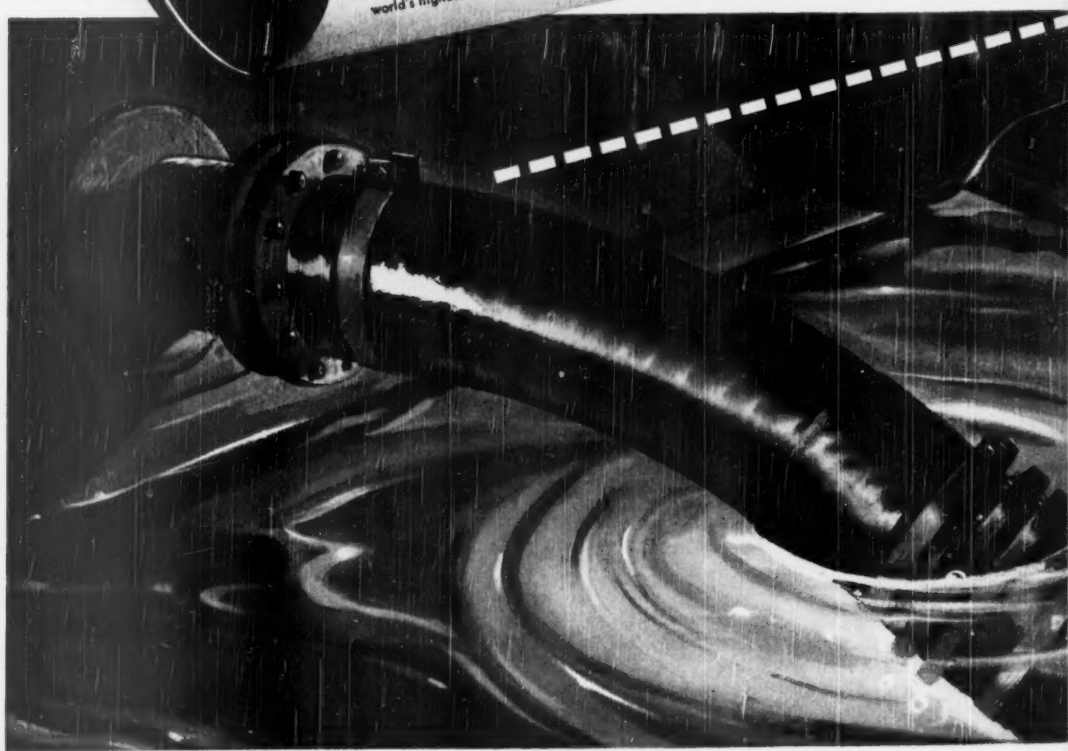
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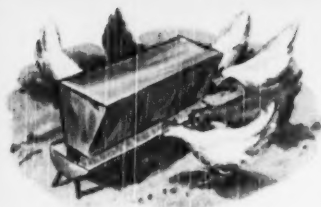
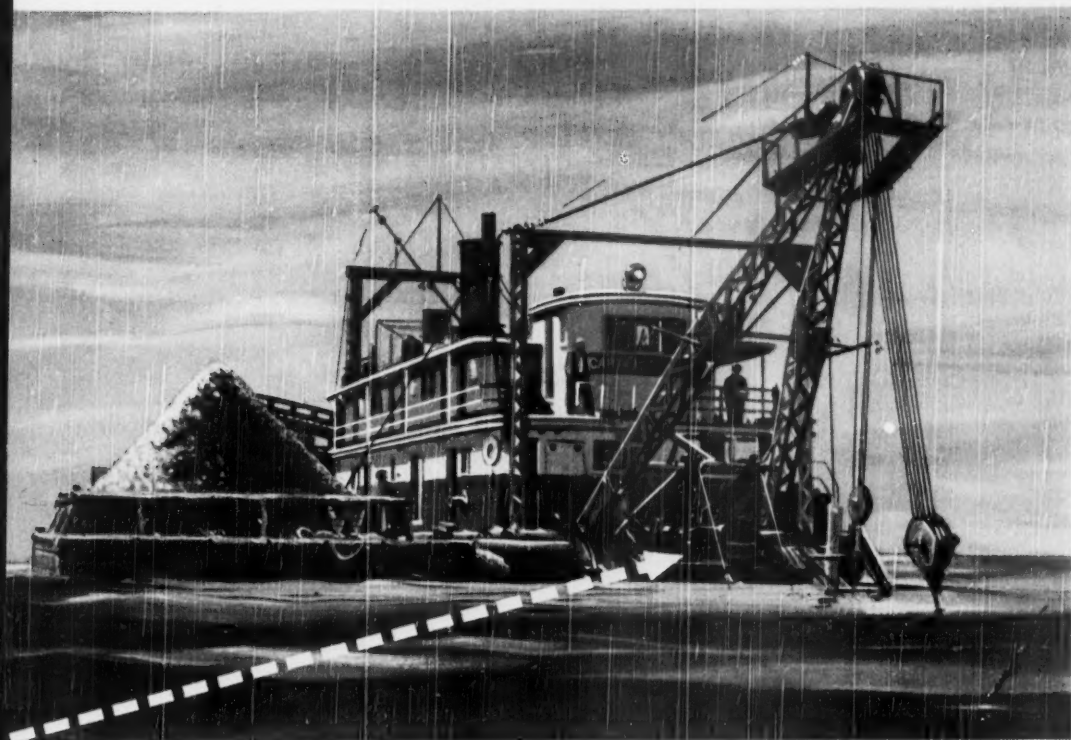
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750 tons of shells—enough for one feeding of 200,000,000 hens—are sucked up through this hose every day, and the operation is practically continuous the year round. So sharp and abrasive is the shell, it was cutting through the heaviest hose in a maximum of six months' service. Since such hose is expensive and delays costly, the G.T.M.—Goodyear Technical Man—was called in.

After studying the operation, the G.T.M. recommended the use of Style M Sand Suction Hose—a super-rugged hose built with multiple plies of heavy fabric reinforced with wire, specially developed by Goodyear for heavy-duty dredging. He further recommended that the hose be turned slightly at regular intervals, to rotate the point of greatest wear, thereby insuring longer life.

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relatively poor showing by taking a firmer grasp than ever on fourth place. A 14.3% gain in sales for PM gave it 9.1% of the total cigarette market as against 8.0% last year.

Biggest gain of all by far among the top brands, however, was turned in by Raleigh (Brown & Williamson), the real comer in the cigarette industry.

Raleigh was the only major brand that moved up a full notch to pass a competitor (American Tobacco's Herbert Tareyton). It did this with a sensational gain of 133.3% in sales. The industry attributes this mainly to B & W's return to the prewar sales device of using premium coupons in each package of cigarettes (BW-Mar. 5'49.p80). Tareyton's gain of 11.1% was good, but not good enough to withstand Raleigh's push.

• **Other Gains**—The battle for fifth place turned out to be almost a dead heat between Pall Mall (American Tobacco's subsidiary American Cigarette and Cigar) and Old Gold (P. Lorillard), which had a firm grasp on the spot hitherto. Old Gold gained—but Pall Mall gained more (21.4%).

Two lesser brands turned in notable performances during the year: Brown & Williamson's Viceroy was up 33.3%, to reach 800-million; Benson & Hedges' Parliament gained 20%, to reach 600-million. Both are filter-type cigarettes. And their gains may reflect, in part, the eagerness with which the filter people have capitalized on a Reader's Digest article about the dangers of nicotine and the virtues of filters.

• **New Entries**—Pall Mall's burst of speed underscores the over-all gains that king-size cigarettes have been making in the past few years. Between 1943 and 1949 sales of long cigarettes jumped three times faster than those of the regular size (a 112% increase as against 37% for all other sizes).

All the major companies are now in the king-size act. R. J. Reynolds introduced its Cavalier brand this year; P. Lorillard got national distribution for its Embassy; Brown & Williamson put its "life-size" Life on the market (it already has Avalon); Liggett & Myers lengthened Fatima's skirts in 1948. All told, the dozen or more long cigarettes on the market account for about 8% of all domestic tax-paid cigarette sales.

• **Mixed Outlook**—The outlook for manufacturers for the coming year is somewhat mixed. On the one hand, their production costs have remained fairly steady for a year. And they have kept inventories at comfortable levels. But on the other hand, these very inventories may get them into trouble. They bought this tobacco at very high prices and because of the averaging factor involved, cigarettes produced in 1951 will still be made of expensive leaf.

This might nip profits if retail prices decline.

There is one other sour note for manufacturers: Exports have dropped. Last year tax-free exports came to some 33-billion, a drop of a few billion below 1948. This means that cigarette makers total output during 1949 fell just a shade below the year before, despite the brilliant showing in the domestic market.

• **Other Bright Spots**—The economy brands, which have suffered badly in recent years, still have hopes that Congress will give them a helping hand. There's a bill now in the House that would change the present federal tax on cigarettes from a specific to an ad valorem base (BW-Jan. 29'49.p58). This, of course, would be a real shot in the arm for the economy brands—which got their fame in the 1930's as "Ten-centers." As it stands now, these brands carry the same 7¢ federal tax as the more expensive brands.

The state-tax picture is also an encouraging one. It looks very unlikely at this point that any state will add enough to present taxes to have a serious effect on sales. Currently there are 40 states with taxes in addition to the federal levy; 31 of these states tax cigarettes at a rate of 3¢ or more a pack. But despite these taxes, the market for cigarettes has made consistent gains.

Another Sunday Paper Quits Publication

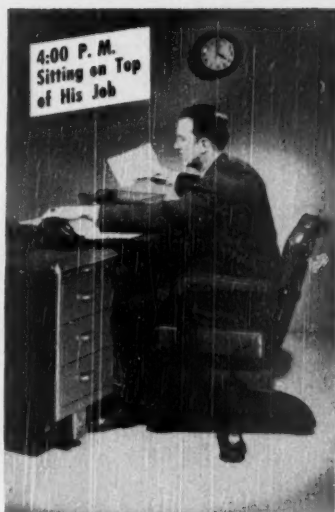
The tempting but tricky Sunday newspaper field suffered another casualty last week. This time a new paper—The Aroostook (Maine) Sunday Sentinel—folded after only five issues (BW-Dec. 3'49.p76).

The Sentinel was one of two new papers that have made a bid for Sunday circulation in Maine's prosperous potato county. It was an unusual joint venture backed by four local Aroostook weeklies. The publishers laid the suspension of their paper mainly to the failure of advertisers to come through with sufficient business.

One of the other problems, they hinted, was getting adequate news coverage of the county.

The suspension of the Sentinel leaves the field open to its newer rival, the Bangor Sunday Commercial, and to the long-established Portland Sunday Telegram.

• **Early Success**—At this point the Sunday edition launched by the Bangor paper seems to be doing pretty well. Circulation is now running around 22,000—some 10,000 more than the paper's week-day afternoon average. Much of this is due to circulation in Aroostook county.



WHY? Because he is sitting in a chair that is as much a part of him as the head on his shoulders. Supported and relaxed in the foam rubber, spring-cushioned comfort of his individually-fitted Sturgis Posture Chair, he is automatically encouraged to maintain the posture that discourages fatigue.

A chair doesn't make the man but it helps—by helping him stay on top of the job. Your Sturgis dealer will gladly demonstrate.



Ever wondered how much bad sitting might be costing you? If you have—or even if you haven't—it might be a good idea to read our booklet, "The High Cost of Sitting". No charge—no obligation—just good common sense.

A complete line of executive, stenographic, reception and institutional chairs—posture-designed for the person and the purpose.

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PIONEER IN POWER

Motorists now middle-aged or older—folks who can remember when steam and gasoline were still in the race for favor as automotive power—will vouch for the fact that even in those earliest motor-era days Continental Red Seal engines stood high in public regard. To present-day users—and builders—of specialized power products in a dozen different fields, the importance of all this lies in the one vital fact which it makes so clear: nearly 50 years' experience in engine design and manufacture forms the background of today's diversified Continental line. The Red Seal engines now finding their way into leading makes of equipment for transport, industrial and farm use are direct descendants, quality-wise as well as in name, of those rugged "ancestors" whose day-in-day-out dependability long ago helped to silence the jeering "Get a horse!"

Manufacturers interested in linking Continental's acceptance with their own will receive full cooperation from Continental Motors engineers.

Continental Motors Corporation
MUSKEGON, MICHIGAN

Sure Thing Ended

By agreeing to round off price tags, says Justice Dept., five Philadelphia stores upped prices, violated antitrust.

Philadelphia's five major department stores ran afoul of the Sherman antitrust law last week (BW—Jan. 14 '50, p28). It cost each of the five stores \$2,500 in fines in Philadelphia's U.S. District Court.

The charge: That the stores had conspired to fix prices through the elimination of sales within certain price ranges.

The stores: Gimbel Bros., Lit Bros., N. Snellenburg & Co., Strawbridge & Clothier, John Wanamaker.

The alleged conspiracy, says the Justice Dept., took a very simple form. The five stores, it charged, agreed that merchandise: (1) priced at less than \$1 would not be sold at prices between 90¢ and 97¢; (2) priced at more than \$1 and less than \$10 would not be sold at prices containing any fraction of a dollar between 86¢ and 97¢; and (3) priced at more than \$10 would not be sold at prices having any fraction of a dollar between 50¢ and 94¢.

• **Upping Prices**—In other words, you would have no price between 89¢ and 98¢ in the under-a-dollar range; or, say, between \$10.49 and \$10.95 in the top bracket. The effect of such a system is obvious: If you have to guess at what price your competitors will sell less-than-a-\$1 goods, you need only three guesses—99¢, 98¢, or 89¢. (You could probably even reduce it to two guesses—98¢ and 89¢.) Similarly, your competitor could guess the same about you.

Justice says this had the effect of raising prices (since the 97¢, 96¢, etc. figures were eliminated).

It could, of course, work the other way, too—drop prices to 89¢. But the Justice Dept. claimed that it had found no instances of "downward changes." It said that the alleged conspiracy "arbitrarily and unreasonably" boosted prices on more than 5-million items of merchandise sold by the stores. These boosts, it claimed, went as high as 10%. It charged that the stores had evolved the plan early in 1949 to find ways of offsetting high prices.

• **Stores' Claims**—The defendants, including nine store officials, entered a plea of no contest. The stores claimed that last November they had "ceased doing what the government claims was a violation of the law." Counsel for the five stores also insisted that the stores are "in keenest competition." They denied that they had ever agreed to "sell any particular item at any particular price level."

SAVINGS IN LICENSE FEES MORE THAN PAY YEARLY MAINTENANCE BILLS

◀ The 534 gleaming, attractive Stainless Steel units of The Norwalk Truck Line Company are a familiar sight on the highways of Ohio, Michigan, Indiana and Illinois.

▼ Charles W. Hoke, Norwalk Vice-President, points to the excellent condition of this eight-year-old Stainless highway veteran.



Mr. Ernsthausen

The Norwalk Truck Line Company, Norwalk, Ohio, operates a fleet of 534 Stainless Steel trailers, which, on the basis of low maintenance costs alone, are proving every day that Stainless equipment always pays off in greater profits. Says Norwalk President J. F. Ernsthausen:

"In 1948, the average cost of repairs to our Stainless trailers, exclusive of floors and wrecks, was only \$17.96. This figure is all the more outstanding when you consider that 149 of these Stainless trailers are at least eight years old.

"Today, these pre-war Stainless

No wonder this fleet operator says

"nothing equals Stainless Steel"

trailers show no appreciable deterioration from a fatigue angle. They appear to be ready for additional service for an indefinite period.

"And here's another important saving that our Stainless equipment makes possible. License plates for each unit cost approximately \$20 less than for equipment built from heavier materials. This more than offsets the annual maintenance bill for each unit so that maintenance, in effect, has cost us nothing."

If these were the only savings made possible by Stainless Steel trailers, they'd still be a profitable investment for any fleet. But when

you add the increased pay loads they can carry, the longer life, the absolute freedom from corrosion, the elimination of painting costs, and the more attractive appearance that Stainless equipment assures, you can see why it's simply poor economy to use any less efficient material.

When you order Stainless Steel trailers, be sure to specify U-S-S Stainless. It's a perfected, service-tested material that permits fabricators to use the widest latitude in design and the most modern, economical techniques of manufacturing. It will give you performance that can't be surpassed.

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COLUMBIA STEEL COMPANY, SAN FRANCISCO • NATIONAL TUBE COMPANY, PITTSBURGH • TENNESSEE COAL, IRON & RAILROAD COMPANY, BIRMINGHAM
UNITED STATES STEEL SUPPLY COMPANY, WAREHOUSE DISTRIBUTORS, COAST-TO-COAST • UNITED STATES STEEL EXPORT COMPANY, NEW YORK



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You be
the judge...



Electric Adding-Subtracting Machine. Other electric and band-operated models with varied totalling capacities—from \$125, plus applicable taxes. As little as \$12.50 down . . . 18 months to pay.

examine the
evidence...
compare new
Burroughs
Adding
Machines
on every
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value

Judge a Burroughs on all points . . . on appearance . . . on ease and speed of operation . . . on features of design.

Look at its smooth, functional styling, soothing color harmony and non-glare keyboard. Try the new square keys that assure a more positive touch . . . that help give the Burroughs its remarkable speed. Test the solid construction that promises a long, trouble-free life.

On every point—appearance, ease and speed of operation, construction features—you will agree that Burroughs is the better buy—that you'll do better with a Burroughs.



He's a good salesman, but—
Good salesmen shouldn't waste valuable time on arithmetic. A Burroughs gives him answers fast.

Figures don't lie . . . idle
No waiting for turns here. A Burroughs on each desk speeds up figuring, cuts down delays.



Customers and errors don't mix
Customers don't like overcharges. You can't profit on undercharges. Avoid both with a Burroughs.

WHEREVER THERE'S BUSINESS THERE'S

Burroughs



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☐ Please send me descriptive folder and prices on Burroughs adding machines.

☐ I would like to see a demonstration at my place of business.

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COMPANY _____

ADDRESS _____

BW-6

MARKETING BRIEFS

Wrigley is testing a new type of gum packing in a few selected cities. It contains 18 sticks (all one flavor), retails for 15¢.

A subscription-delivery plan is being tested by Curtis Publishing as a hedge in case Congress should hike postal rates (BW-Jan. 14 '50, p. 46). Idea is to ship magazines via freight to central points, where they are picked up by distributors who also act as subscription agents.

The 1949 dollar volume for Western Auto Supply came within a mere 0.4% of the 1948 record of \$125.9-million. Mainly responsible for this showing: (1) a whacking December, 10% above last year's; (2) the addition of several hundred new wholesale (associate store) accounts during 1949.

Theater TV plans: United Paramount Theaters—the exhibition company that came out of the Paramount Pictures splitup (BW-Apr. 2 '49, p. 89)—will install large-screen video equipment in theaters in four more cities. (It has already done so in New York and Chicago.) And it is asking for telecasting licenses in Detroit and Boston.

Canada Dry is upping carbonated-beverage prices in most sections of the U. S. Large bottles will retail at 18¢ (two for 35¢) as against 15¢ hitherto. President R. W. Moore thinks other bottling companies "will find it necessary to take similar action during the year."

"Package marriage" plan is offered by Western Air Lines as part of its new air-coach service from Los Angeles to Las Vegas. For \$10 extra a justice of the peace marries you at the Las Vegas airport—and you're back in Los Angeles five hours after you left.

New branch stores: Bullocks is building a new "three-level structure with unique four-level parking" to replace its present Westwood Village (Los Angeles) store. And Famous-Barr will spend \$2.5-million on its second branch store on the outskirts of St. Louis.

Sales of men's hats dropped again last year. The Hat Institute says 1949 sales of men's fur-felt hats came to about 1.3-million. That's about 130,000 under 1948 and about 530,000 under 1939.



Plate glass polishing for Ford demands polished motor performance

Polishing the clear, safe-vision glass that is turned out in the Ford Motor Company glass plant at Dearborn, Michigan, is a big job. Huge lines of these 60 grinding and 100 polishing machines, which are so delicately aligned that they compensate for the curvature of the earth, are in daily 24-hour operation. This calls for polished performance . . . perfect, dependable service . . . on the part of the motors that power the tireless machines. It is significant that a battery of Wagner 40-hp type CP totally-

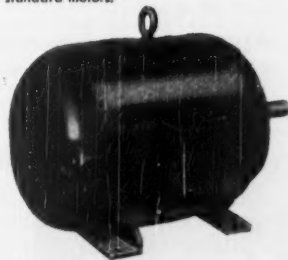
enclosed, fan-cooled motors are used at this rigorous application.

For your requirements . . . there is a Wagner motor to answer every need for a standard type of electric motor in sizes from 1/125 hp to 400 hp . . . a complete line for all current specifications, with a wide variety of enclosure types and mountings.

Wagner engineers are qualified to specify the correct motor for your needs. Consult the nearest of our 29 branch offices or write us.

Wagner Electric Corporation
6460 Plymouth Ave., St. Louis 14, Mo., U. S. A.

Continuous, unfailing power for the Ford plant grinding and polishing machines is furnished by Wagner 40-hp type CP, 445 frame, 1200 rpm motors. There is a specific motor equally applicable to your exact need in the complete line of Wagner standard motors.



ELECTRIC MOTORS • TRANSFORMERS
INDUSTRIAL BRAKES
AUTOMOTIVE BRAKE SYSTEMS — AIR AND HYDRAULIC



Princess Place Mats made from thin flexible sheets of Koppers Polystyrene 8. Designed and produced by The Ullman Co., Inc., 230 Fifth Ave., New York, N. Y. Extruder: The Plax Corporation, West Hartford, Conn.

Colorful place mats made from POLYSTYRENE SHEET

▼ These beautiful Princess Place Mats sell on sight. They come in patterns taken from the finest lace and fabrics, reproduced on thin flexible sheets of Koppers transparent Polystyrene 8.

Sales for the first six months of '49 were 30% ahead of the preceding year. The reason for this is obvious. Women can make a beautiful table setting at a fraction of the cost of expensive fabrics. And they can use the mats over and over again. There's no washing and ironing. A damp cloth will clean the mats in a jiffy. The mats lie flat—do not curl up under hot dishes and give long satisfactory service.

Koppers Polystyrene 8 was selected for this use because of its superior heat resistance, transparency and low cost, and the free-flowing and quick-setting qualities of Koppers Polystyrene 8 facilitate production.

Another important quality is the ease of decorating Koppers Polystyrene. The finest patterns can be reproduced in minute detail. Colors do not rub off or smear.

What can you make from Polystyrene sheet?

Extruded sheets of Koppers Polystyrene are available "paper-thin" or in thicknesses up to .090 inches . . . in water-clear transparent or in any desired color. Uses include place mats, packaging materials, advertising displays, novelties, book covers, etc. Our technical specialists will be glad to advise you on the techniques of using sheet polystyrene.

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Please send me information about polystyrene sheet. (Give desired use.)

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Position

Company

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READERS REPORT:

New England Speaks Up

Sirs:

Many of the regional analyses and comparisons appearing in your excellent publication unfairly and unfavorably present New England to your readers. Even the use of accurate comparative statistics does not always develop the basic factors which must be considered before conclusions are drawn. Specifically, I find fault with your report entitled "Income Is More Than Prewar—But the Regions Vary Significantly" [BW—Nov. 26 '49, p. 68].

While the text of the report qualifies the charts to a degree, the over-all effect is to create the impression that the Boston Region is not holding its own. The inferences you have drawn in comparing the Boston Region growth curve with other regions are about as illuminating as a report that pupils in grade schools increase their height at a greater rate than those in colleges. Of course they do, but the fact is not news. The child obviously grows in stature faster than the man but that does not mean the man is trending downward, as you conclude the Boston Region is.

The factor you fail completely to weigh is the per capita level of income payments—much more significant than the percentage increase over any particular interval. For example, in 1940 the per capita income for the nation was \$575 as compared with \$725 for New England. By 1948 the national income has increased by \$853 to \$1,410, while New England had increased by \$776 to \$1,501. New England was ahead in 1940 and while it increased only 107% through 1948, it is still higher than the national average, which increased 145%. The more rapid rate of growth of the child has not brought him to the stature of the man.

Your report gives the Dallas Region credit for being the "boomiest", but the index of this region has fallen off since late 1948 at a more rapid rate than the New England index. Furthermore, the per capita income of Texas, which increased 189% from 1940 to 1948, stands at \$1,192, compared with the New England average of \$1,501 and the national \$1,410. Also, at the end of 1948, Texas had savings deposits of \$85 per capita, compared with \$788 in New England.

We are not decadent. We are not even ailing. We will continue to be a vital part of the national economy.

A. R. SCHILLER

PRESIDENT, PUBLIC SERVICE CO. OF
NEW HAMPSHIRE,
MANCHESTER, N. H.



\$11,219 Approximate sum spent in wages for a stenographer over 5-year period.⁽¹⁾



\$142.50 Cost of one typewriter used by stenographer over same 5-year period.

Isn't this real office economy?

When you are investing really large sums in skilled office workers, isn't it sound business judgment and real economy to give them new, efficient business tools? New typewriters, for instance?

This is especially true when you consider the negligible cost of the typewriter compared to the amount you pay in wages to the operator.

Reliable, efficient typists and secretaries are worth their weight in gold. They deserve new Gray Magic Royals. You'll get better work—more work—and the special kind of morale that comes to people using that

precision writing tool.

Typists prefer Royal 2 1/4 to 1 over any other make. It has more time and work-saving features than any other typewriter—among them these two outstanding Royal exclusives:

"Magic" Margin—the single greatest operator benefit ever invented! The easiest and quickest method known to set margins. Only Royal has it!

Finger Flow Keys—Shaped to contour of finger tips, keys promote easier, faster typing and give extra finger clearance. Only Royal has them!

⁽¹⁾ Based on average salaries of General Stenographers as reported by United States Department of Labor, 1949, for 18 large cities.

For the utmost in
business efficiency and economy . . .

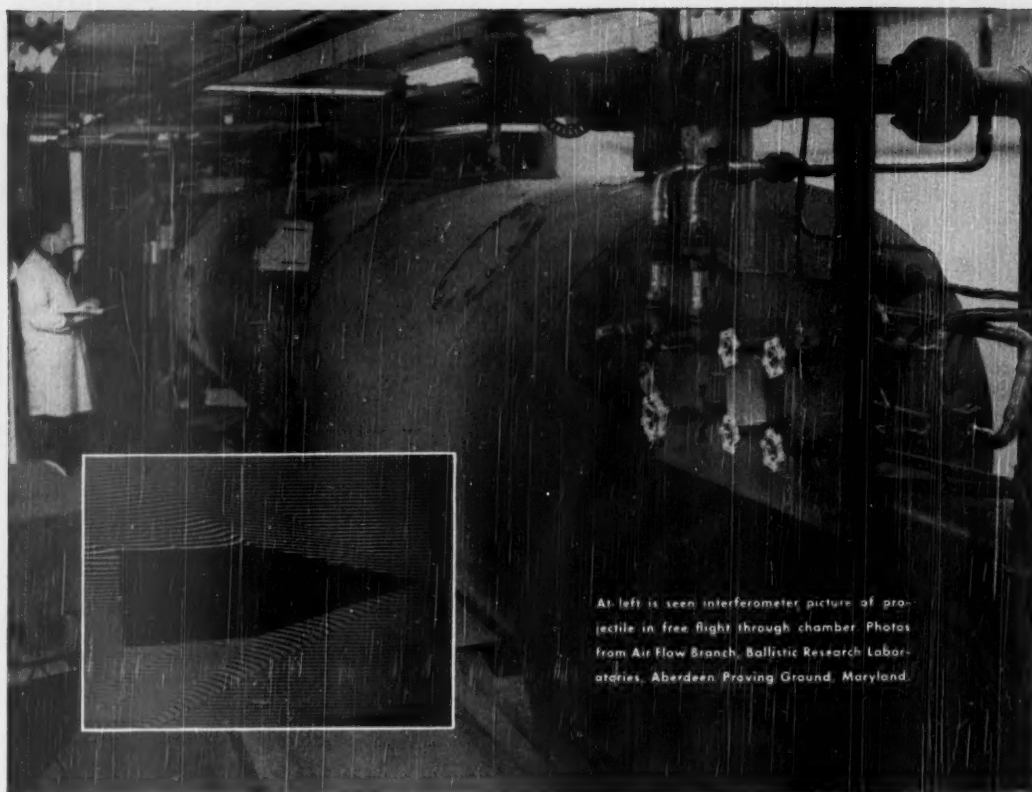
N E W

GRAY MAGIC ROYAL

"Magic" is a registered trade-mark of Royal Typewriter Company, Inc.

Made by the World's Largest Manufacturer of Typewriters





At left is seen interferometer picture of projectile in free flight through chamber. Photos from Air Flow Branch, Ballistic Research Laboratories, Aberdeen Proving Ground, Maryland.

Shooting Gallery in a DPi Vacuum Bottle

The Army Ordnance men of the Ballistic Research Laboratories at Aberdeen Proving Ground knew that by setting up proper combinations of temperature and pressure they could duplicate any of the conditions that determine turbulence, Mach number, and other factors in the air around a flying projectile. But their demands were extreme.

They wanted any temperature from 279°F. below zero to 261° above—

pressures from 1/1000 of an atmosphere to ten atmospheres—in a single piece of equipment!

DPi produced it—a giant vacuum vessel 45 feet long. It employs the same principle as your vacuum bottle or picnic jug that keeps lemonade cold, or coffee piping hot. But through the tunnel of this vacuum bottle, projectiles are fired and photographed in flight. The study reveals much to our country's ballistic researchers.

You may need high vacuum in a 100-foot vessel, or in a tiny hearing-aid tube. Perhaps you can use it to produce new metals, to coat plastics, dehydrate biological materials, or make electronic devices last longer. Because of its experience, DPi can serve you—with all principles for producing, measuring, and utilizing high vacuum for research or as a profitable production tool. We invite inquiries.

VACUUM EQUIPMENT DEPARTMENT

DISTILLATION PRODUCTS industries

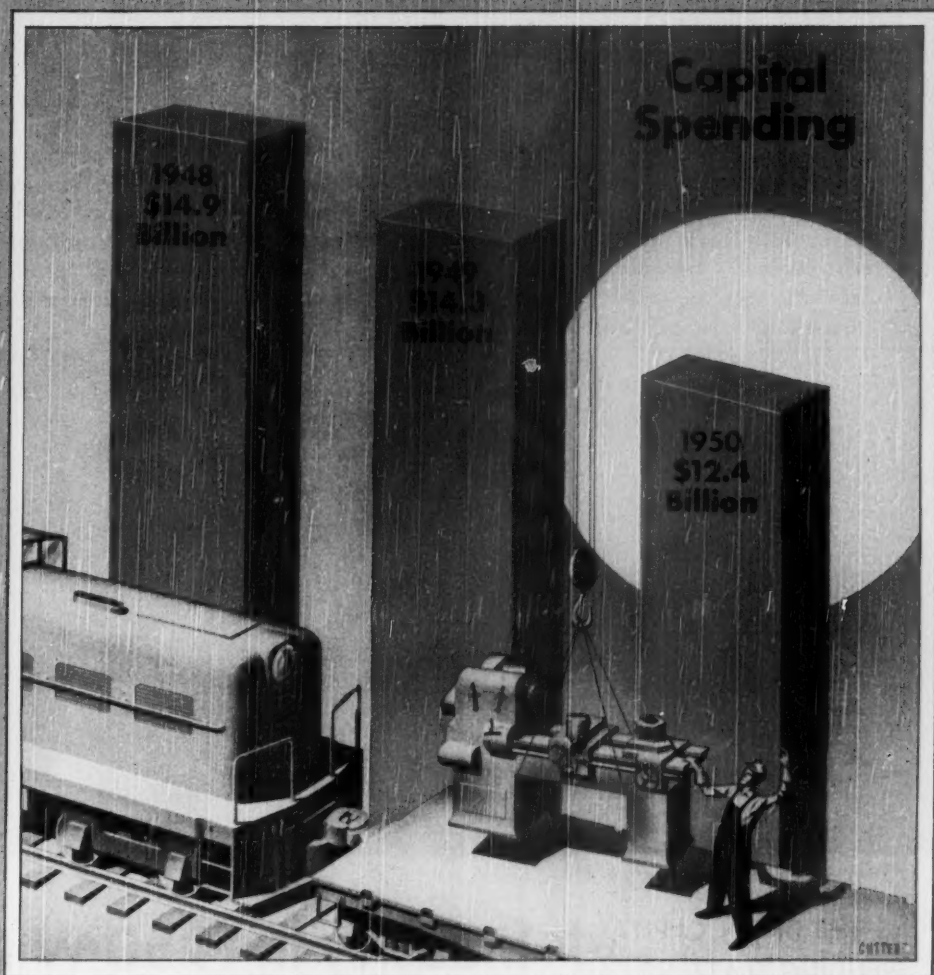
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HIGH VACUUM RESEARCH
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BUSINESS WEEK SPECIAL REPORT TO EXECUTIVES

Industry's 1950 Capital Spending Plans

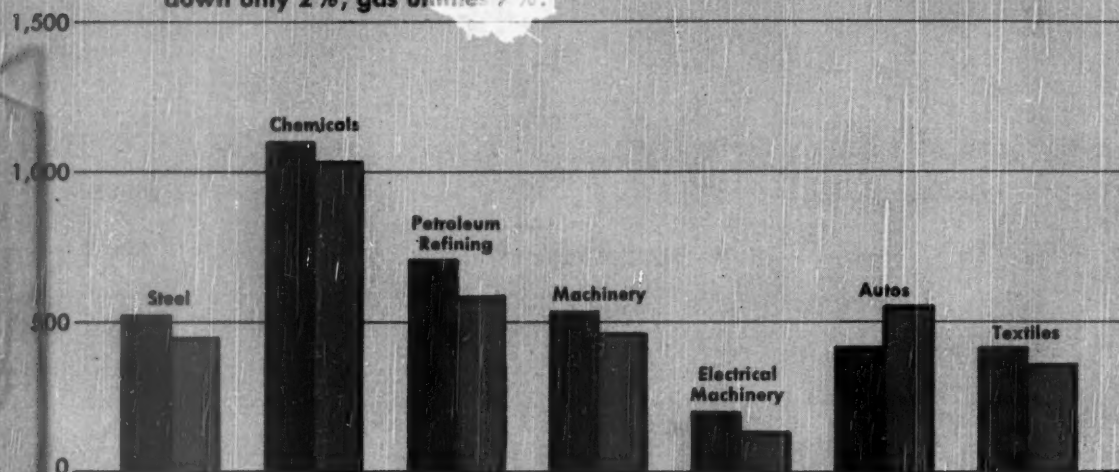
- How Serious Is the Dip?
- How Will It Affect Business?
- Is Expansion About Over?
- Which Industries Are Cutting?
- What Are Your Customers Doing?

Answers on the following pages →

Millions of Dollars
2,500

1949 vs. 1950

Total capital expenditures by U.S. industry in 1950 will run 13% behind 1949. But individual lines will vary widely. Railroads are planning the biggest cut—44%. Autos will mark up a 31% increase in capital outlays. Chemical producers, who have the biggest program of any manufacturing industry, will trim 5% off their outlays, considerably less than the average. Electric utilities will be down only 2%, gas utilities 7%.



AS THE DIP IN CAPITAL SPENDING FLATTENS OUT

Industry in 1950 Will Still

Industry's investment in new plant and equipment is still slipping—slipping and sliding down from the postwar peak that it hit around the end of 1948.

But the drop promises to flatten out in 1950.

And even at the lower level, capital spending will be running at a boom-time rate.

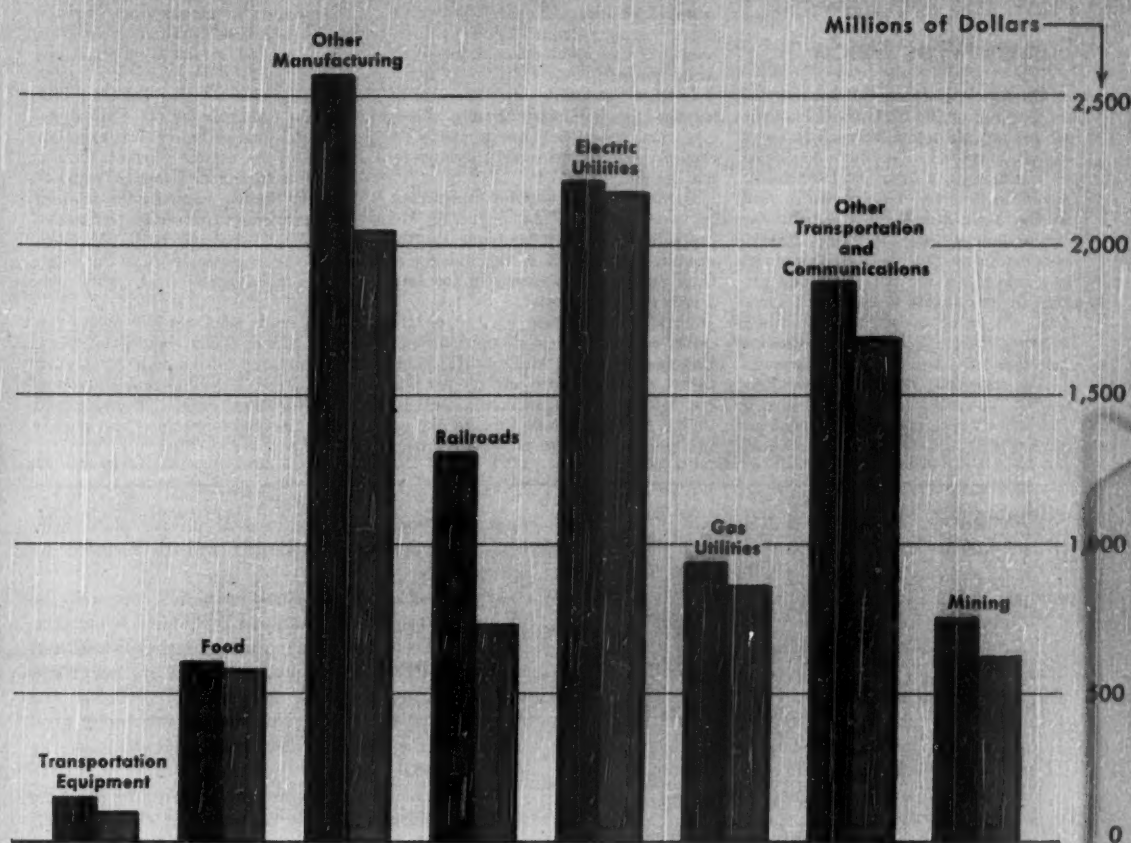
That's the main fact that stands out from the third annual survey of business investment plans, conducted by the McGraw-Hill Dept. of Economics. The survey provides the first estimates compiled by any agency, public or private, of the amount of investment that industry plans for the full year 1950.

Capital-expenditure plans for 1950 are vitally important to all business, not just to the companies that make capital goods. Business investment is one of the biggest—and one of the most volatile—of the forces that

make the difference between boom and bust for the U. S. economy.

In the first three years after the war, capital spending was one of the mainstays of the general business boom. Industry came out of the war with a huge backlog of deferred expansion and modernization—just as consumers came out with a long list of unsatisfied demands. The rush to build new plants and revamp old ones carried capital spending to one new high after another. And the money that business poured out on its expansion program was one of the main things that put the steam into the postwar prosperity.

In 1949, capital spending began to slack off. Most companies had caught up with their immediate postwar expansion programs. As sales stabilized, the need for more capacity became less pressing. And the sudden



Spend at a Boom-Time Rate

recession last spring made management uneasy about the future.

Investment in new plant and equipment continued high. But it ran behind 1948 levels throughout the year. The difference was especially marked in the second half of 1949. Instead of the sharp seasonal upswings that had appeared in 1947 and 1948, there was a steady downward drift in the third and fourth quarters.

This drop in capital spending was no surprise. Economists, both in the government and in private business, had warned that the 1948 rate of investment couldn't go on forever.

But even though the downturn had been foreseen, the transition to a lower level of capital spending still brought with it a critical time for business in general. Nobody knew whether we could let the air out of the

capital boom without deflating the whole economy and touching off a disastrous depression. Once the drop in capital expenditures began, the crucial question became: Where will it end?

If the McGraw-Hill survey had shown an accelerating drop in capital spending in 1950, you could have bet your boots that business was headed for real trouble. If the survey had predicated a sudden jump back to the 1948 level, that would have been a warning to hold your hat for another round of inflation.

As it is, the survey findings suggest a period of fairly stable business in 1950. Capital spending will run below 1949. But the drop won't be enough to put a serious drag on business. And the size of the gap will not widen as the year goes on.

On the basis of present plans, all industry will spend

How The McGraw-Hill Survey Was Made

The figures given in this summary of the findings of the McGraw-Hill survey are nationwide totals for each industry or industry-group. They were developed by questioning a large cross-section of American industry. Companies covered in the basic sample were usually the larger ones in each industry. Experience indicates that smaller companies as a rule follow the same spending pattern in investment as the larger operators. On some points, however, there is a possibility that the concentration on larger units has affected the answers.

The companies covered by the survey employ about 60% of all workers in industries where capital investment per worker is highest. These include: chem-

icals, electrical machinery, oil, autos, railroads, utilities, and steel. These seven industry groups account for about three-fourths of the capital expenditures of all American industry.

Outside these industries, coverage of the survey is somewhat smaller. However, the companies questioned were carefully selected to form a representative sample.

Capital expenditures for each industry were estimated by projecting the expenditures of the companies in the sample on the basis of the number of their employees compared to the total number in the industry.

Capital expenditure for the electric utility companies were obtained through *Electrical World*, a McGraw-Hill publication, which regularly surveys the electric light and power industry. Plans for capital expenditures in 1950 by the gas utility industry were obtained through

cooperation of the American Gas Assn.

The figures developed from this survey are not directly comparable with those compiled by the Dept. of Commerce as part of its estimates of gross national product. The McGraw-Hill totals do not include: (1) Capital expenditures charged to current expenses instead of to capital account by the companies that made them; (2) expenditures on farms, hospitals, or schools; (3) expenditures by service industries or retail and wholesale trade. All three of these items are included in the Dept. of Commerce estimates of capital outlays.

As a result, McGraw-Hill figures run several billion dollars below the Dept. of Commerce estimates for the same period. The two series should show much the same trends, however, and one can be used to interpret and amplify the other.

\$12.4-billion on new plant and equipment in 1950. This represents a drop of 13% from the 1949 total.

Manufacturing companies plan to spend \$6.3-billion for new facilities in the coming year. This is also a 13% drop from last year's total of \$7.2-billion.

Utility companies will spend only a little less in 1950 than they did in 1949. Railroads, on the other hand, will whack their expenditures 44%. Other transportation and communication companies will trim 10%. Mining will be down 17%. This gives an average drop of 13% for all industry outside of manufacturing.

Here are some other highlights on industry's plans and expectations as shown by the survey:

(1) In estimating their 1950 capital needs, manufacturers as a whole are figuring on a sales volume about equal to 1949. The variation in sales expectations from one major line to another is surprisingly small. Chemical companies are the most optimistic; they are looking for a 4% gain over last year. Steel producers expect a 2% decline.

(2) Expansion of production facilities in the coming year will increase total manufacturing capacity only 3%. The chemical, textile, and food industries are planning the biggest increases.

(3) More and more of industry's spending will go for modernization and replacement of existing facilities. Comparatively less will go for additions to capacity. About 65% of 1950's outlays are earmarked for replacement and modernization. This continues the shift that showed up in last year's survey. Then investment funds were divided about 50-50.

(4) Most of the money that business plans to invest in 1950 will come from internal sources. Manufacturing companies will use retained earnings and depreciation reserves to finance nine-tenths of their expenditures. Railroads, on the other hand, will have to get about one-third of their money from outside, mainly by borrowing. Common-stock issues are almost ignored as a possible

source of funds. On the basis of present plans, only 0.4% of industry's expenditures will be financed by selling stock.

(5) A bull market in stocks wouldn't necessarily be the answer to all our investment problems. More than 90% of all manufacturing firms said they would not increase their spending programs even if they could sell new common stock at prices 50% above the November, 1949, level. (November was a pretty good month in the stock market by the standards of the past three years.)

(6) On the face of it, most of the spending plans for 1950 look like fairly firm commitments. Some 56% of all manufacturing companies say that they would not cut their investment programs even if general business should drop 20% during the year. However, plans may be more sensitive to business conditions than this answer suggests. Practically all companies say that their investment programs are subject to review as the year goes along. About two-thirds of all manufacturers look them over regularly once a month. Most of the others review their plans at least once a quarter.

(7) A comparison of the original plans for 1949 with actual spending during the year shows that individual industries can make rapid adjustments in their capital programs. Industry's total spending in 1949 was about 1% above the plans it had set up at the beginning of the year. But this total conceals wide variations from one line to another. Some industries, such as automobiles and railroads, spent considerably less than they had planned. Others spent more. Department of Commerce estimates show that industry as a whole cut its spending plans in the second half of the year as business began to slide off. The coming year could show the same flexibility—either up or down.

The remainder of this report is an analysis of the major questions covered by the survey and more detailed breakdowns of the answers.

Q How much did you invest in new plants and equipment in 1949?

Capital spending definitely turned down in 1949. Altogether, industry's outlays for the year came to \$14.3-billion, against \$14.9-billion in 1948. This is a drop of about 4%. The first quarter fell off sharply from the peak rate that marked the end of 1948. The second quarter showed a little pickup. But the last half year, when capital expenditures usually show a sharp seasonal rise, was down again.

Q How about 1950?

Present plans call for the expenditure of \$12.4-billion on new plant and equipment in the coming year. This is a drop of 13% from 1949. Here is how the figures stack up by industries:

	1949 Actual	1950 Plans	Percent Change
	(Millions of Dollars)		
Steel	\$520	\$445	-14%
Chemicals	1,100	1,040	-5
Petroleum refining.....	700	580	-17
Machinery	530	460	-13
Electrical machinery	200	135	-32
Autos	420	550	+31
Textiles	410	360	-12
Transportation equip....	145	95	-34
Food	600	585	-3
Other manufacturing	2,575	2,050	-20
All Manufacturing....	7,200	6,300	-13
Railroads	1,310	735	-44
Electric utilities*	2,220	2,180	-2
Gas utilities**	940	870	-7
Other trans. and communications	1,880	1,695	-10
Mining	750	620	-17
All Industry	\$14,300	\$12,400	-13

* Electrical World Survey. ** American Gas Assn. Survey.

Dept. of Commerce estimates indicate the capital expenditures in the first quarter of 1950 are running about 14% behind the same period in 1949. The McGraw-Hill survey shows a total drop for the year of only 13%. Hence if business is going through with the plans it has set up, capital spending now must be just about at the bottom of its decline. If the remaining three quarters of 1950 continue to run 13% or 14% behind 1949, spending throughout the year will run along at about the present rate.

In other words, it looks as though we are finally getting some light on the question: "Where will the drop in capital spending stop?" The answer that the figures suggest is: "Right here."

If this answer is right, then 1950 should mark the end of a dangerous transition period for U.S. business. If capital spending stabilizes, one of the main threats to the country's postwar prosperity will blow over.

For a supplier whose business is closely tied up with one industry or a group of industries the variation in spending plans from one line to another may be even more important than the totals. The breakdowns of the survey results give some idea of which industries are likely to make the best customers in the coming year.

The automotive industry is the obvious standout. It intends to boost its capital expenditures by 31% in 1950.

Much of this extra spending reflects the growing competition in the auto business. In the first years after the war, automobile manufacturers didn't have to worry about model changes and new designs. They could sell everything they could make without changing models, and they didn't want to lose production by closing down for a changeover. Now that competition is getting hotter, the big manufacturers are tooling up for new models. This means more capital investment.

To some extent, the big jump in capital expenditures also shows that the automobile industry finally has decided to believe in its own official forecasts. Ever since the end of the war, the industry's experts have argued that replacement of the millions of old cars now on the roads would keep their plants booming long after the original backlog of pent-up demand had been satisfied. The backlog ran out sometime in 1949, and demand is still holding up well. Hence, the industry is now fairly sure that there will be a market for the extra production that it can get by expanding capacity.

Railroads are at the other end of the scale. They expect to cut capital spending 44% in the coming year. One reason is that they don't have the money. Net income of the railroads in 1949 was 46% under 1948. This in turn reflects the general drop in railroad traffic last year.

The troubles of the railroads also kick back on the makers of freight cars and other suppliers. This accounts for much of the 34% drop in capital spending planned by the manufacturers of transportation equipment (other than autos). Carbuilders, for instance, are halfway shut down these days. And with no new business in sight, they have no incentive to put more money into their plants. Shipbuilders also are cutting back somewhat. The aircraft industry's 1950 program is about the same as 1949, but dollarwise the capital outlays of the plane manufacturers are small.

Electric utilities continue to be one of the biggest of all the props under capital spending. They are trimming only 2% off their capital budgets in 1950. The utilities have caught up on some of their most urgent expansion, but they count on a constantly growing market.

Makers of electrical machinery, however, are cutting back sharply. They expanded enormously after the war to take care of the demands of the utilities. Now their capacity is getting back into line with the level of demand.

Petroleum refining, one of the industries where postwar investment has been largest, also is cutting down in 1950—by something like 17%. Supply of petroleum products finally caught up with the market in 1949.

The industry is figuring on normal growth from here on, but it no longer has a backlog to work on.

Q How will you split up your 1950 spending?

More of the capital budget will go for replacement and modernization in 1950. Less will go into expansion of productive capacity. But the variation from one industry to another still is wide.

In 1948, the average manufacturer divided his capital expenditures about equally between plant improvements and expansion. In 1950 he will split it 65-35.

The chemical industry expects to put 60% of its money into outright expansion, but it is unique. Chemicals are one of the leading growth industries in the economy today. Moreover, chemical plants take a long time to build, and there still are a few bottlenecks that haven't been broken, even after four years of breakneck expansion. New chemical products and new uses for old products have kept demand climbing right along with the postwar increase in capacity.

No other manufacturing industry plans to put as much as 40% of its 1950 capital budget into expansion. Several lines are concentrating almost all their expenditures on modernization.

	Expansion	Modernization
All Manufacturing	35%	65%
Autos	32	68
Chemicals	60	40
Food	32	68
Machinery	11	89
Electrical machinery	15	85
Petroleum refining	37	63
Transportation equip.	3	97
Textiles	35	65
Steel	14	86
Other manufacturing	35	65

In spite of this emphasis on replacement, manufacturing industry will make comparatively little progress toward modernizing itself in 1950. Out of a total capital budget of \$6.3-billion, manufacturers will be spending \$4.1-billion for replacement and modernization. But at least part of this will only offset the wear and tear of the year's operations. Nobody knows what a proper allowance for this factor should be. If we assume that it is equal to the annual depreciation allowance that manufacturers charge up on their books, then we have to subtract \$3.5-billion. That leaves only \$600-million out of this year's capital expenditures for real modernization.

Q Where will you get the money?

As in previous years, most companies are counting heavily on internal sources—retained earnings and depreciation reserves—for their financing.

Autos expect to do practically no outside financing. Chemical companies will pay for 97% of their expenditures from internal sources—but they hope to get the other 3% by selling stock rather than by borrowing. They seem to be the only industry that has any hopes for the stock market in 1950.

The food group will swing 81% of its outlays by itself. The other 19% is to come from borrowing.

Railroads, which haven't had the boom incomes of the manufacturing group, will finance only 68% of their expenditures from retained profits and reserves. The other 32% will come from new debt issues, mainly bonds and equipment trust certificates.

	Depreciation and Retained Profits	Sale of Stock	Bonds, Bank Loans, or Other Debt	Other
All Manufacturing ..	92%	0.4%	6%	1.6%
Autos	100	0	0	0
Chemicals	97	3	0	0
Electrical machinery ..	99	0	1	0
Machinery	85	0	12	3
Petroleum	96	0	2	2
Steel	88	0	12	0
Trans. equip.	100	0	0	0
Food	81	0	19	0
Textiles	94	0	6	0
Other mfg.	90	0	6	4
Railroads	68	0	32	0
Mining	85	0	9	6

Q Would you boost 1950 spending if you could sell new common stock for 50% more than its present market price?

After all the complaints that industry has made about the stock market, the answers to this one are surprising:

	All Manufacturing
Yes	7%
No	93%

A 50% increase in stock prices over November levels would put the Dow-Jones industrial average up to something like 285. That would be 70 points higher than it ever got before, except during the 1929 boom. If industry isn't interested in selling stock in that kind of market, there's going to be mighty little stock sold in the foreseeable future.

This question probably was one where the weighting of the sample in favor of the larger companies threw the answer off. As things stand now, big companies don't have to go to the market for money. They can swing their capital expenditures out of their own earnings and reserves. Hence, they aren't particularly interested in what the market offers them. Smaller companies, on the other hand, might jump at the chance to get some extra equity money.

It's also possible that a strong market might make more of a difference in capital spending over a period of time. It takes months to plan a stock issue and get it out. It also takes time to get expansion or replace-

ment projects under way. Hence, a rise in stock prices during 1950 probably would come too late to affect most of this year's capital spending plans, but the results might show up in 1951.

Q Would you cut 1950 spending if general business activity fell off 20% during the year?

A majority of manufacturers say they would not change their programs in the face of a real business slump. But industry is a long way from unanimous on this point:

	Yes	No
All Manufacturing	44%	56%
Autos	38	62
Chemicals	31	69
Food	35	65
Electrical machinery	60	40
Machinery	46	54
Other manufacturing	50	50
Petroleum	90	10
Steel	35	65
Textiles	17	83
Transportation equipment	0	100

On the whole, these answers suggest that the capital spending projects are fairly firm. But you can see the places where trouble would crop up if business started to slide.

All but 10% of the petroleum refiners, for example, say they would cut back spending. And the oil industry's program is one of the biggest on the list.

Around 38% of the auto companies, 31% of the chemicals, and 35% of the food companies would slice their capital budgets in a recession. These three are also big spenders now.

Q If yes, by how much?

The answers suggest that the cuts would be deep enough to make a real difference in total spending:

Under 25%	26-50%	Over 50%
44	50	6

Q How much capacity expansion? How about 1950 sales?

	Capacity Increase In 1950	Sales 1950 vs. 1949
All Manufacturing	3%	— .4%
Autos	1	+2
Chemicals	8	+4
Food	4	+1
Electrical machinery	1	Same
Machinery	3	—2
Petroleum refining	3	+2
Steel	1	—2
Textiles	6	+1
Other manufacturing	2	—3

On the average, manufacturers expect sales to come out about even with 1949, which was a good year in spite of the recession last spring. But their plans for expansion of facilities show that they think they now have practically all the capacity they need to handle current volume. The backlog of postwar expansion programs is definitely gone now.

Chemicals are planning the biggest increase in capacity. This matches up with the heavy concentration of their capital budget on expansion.

Textiles are also counting on a sizable increase in capacity—6%. Increases in rayon and other synthetics are the main reason.

The 3% increase in capacity planned by manufacturing industries as a whole is far below the actual expansion of previous postwar years. Last year's survey showed that in the two years, 1947 and 1948, manufacturing capacity jumped 19%. The increase now planned for 1950 is less than the average annual gain in prewar years.

The sales forecasts show that industry in general expects fairly stable business in 1950. The variations between the major industry groups are comparatively small. They widen out, however, when you get into smaller subdivisions.

Expecting sales to increase 5% or more: beverages, breweries, metalworking machinery, service industry machinery, can manufacture, rayon textiles, and tobacco.

Expecting sales to drop 5% or more: flour, agricultural machinery, construction and mining machinery, engines and turbines, office machinery, glass, and rubber.

Q How often will you review your capital spending plans?

There's a further suggestion here that companies would lose no time trimming down capital expenditures if the going suddenly got rough. Everyone intends to go over his capital budget at least once during the year. And the great majority will do it at least once a quarter:

	Monthly	Quarterly	Semi-Annually
All Manufacturing	65%	30%	5%
Autos	78	22	0
Chemicals	63	27	10
Food	70	30	0
Machinery	58	35	7
Other manufacturing	54	30	16
Petroleum	45	55	0
Steel	85	0	15
Textiles	72	20	8
Transportation equip.	80	0	20
Electrical machinery	40	60	0

Arrangements for frequent review can work both ways, of course. If business looks good as 1950 goes along, many companies may decide to spend more than they had planned for capital improvements.

This tendency to increase spending when times are good shows up clearly in the estimates that the Dept. of Commerce has made for previous years. In each postwar year before 1949 actual spending ran ahead of

plans. Last year, when business was falling off, capital outlays didn't come up to the level of early plans.

Q How did actual 1949 expenditures match up with plans of a year ago?

Expenditures reported by companies in this year's sample were matched up with plans reported by the same companies in the survey a year ago. Since the sample was identical, the differences represent changes in plans during the year:

	1949 (Millions of Dollars)	% 1949 Actual of Planned
Textiles	\$ 410	100%
Autos	420	74
Chemicals	1,100	90
Food	600	114
Electrical machinery	200	91
Machinery	530	82
Petroleum refining	700	97
Steel	520	87
Transportation equipment	145	88
Other manufacturing	2,575	118
All Manufacturing	7,200	100
Railroads	1,310	86
Other trans. & commun.	1,880	106
Mining	750	99
Electric utilities	2,200	108
Gas utilities	940	115
All Industry Grand Total...	\$14,300	101%

On balance, total expenditures came out 1% higher than the plans reported at the beginning of the year. But this conceals wide variations in individual industries.

Automobile manufacturers spent only 74% of what they had budgeted. With sales going strong, many of them decided to wait until 1950 for modernization programs or redesigning that would interrupt production.

Gas utilities spent 15% more than they had planned. Food companies ran 14% ahead. And miscellaneous manufacturing came out 18% over its earlier plans.

Railroads, feeling the pinch of falling incomes, spent only 86% of what they had planned. And this was in spite of the fact that the roads hustled through all the work they could last summer just before the 40-hour week for non-operating employees took effect.

Q How do present 1950 plans compare with plans laid a year ago?

Here again, the answers this year and the answers last year were matched up for an identical group of companies. Plans for future years are always less definite than plans for the period immediately ahead. Ordinarily you would expect the totals to increase as the time to put the plans into effect comes closer.

The comparison of 1950 plans now with 1950 plans

of a year ago shows this gain. But the increase is fairly small:

	1950 (Millions of Dollars)	% Present 1950 Plans of a year ago
Textiles	\$ 360	Not available
Autos	550	108%
Chemicals	1,040	79
Food	585	109
Electrical machinery	135	84
Machinery	460	74
Petroleum refining	580	85
Steel	445	91
Transportation equip.	95	73
Other manufacturing	2,050	136
Total Manufacturing	6,300	101
Railroads	735	74
Others trans. & commun.	1,695	111
Mining	620	84
Electric utilities	2,180	119
Gas utilities	870	131
All Industry Grand Total	\$12,400	104%

All in all, the McGraw-Hill survey points to a high and fairly stable level of capital spending in 1950. The total will be lower than it was in 1949 and considerably lower than 1948. But it still will be high by any ordinary standards.

On the whole, this is a good omen for general business. Most industries are now counting on high production, high employment, and good business in 1950. The capital spending plans that industry has laid out fit in with this picture. Outlays for new plant and equipment will not give business the tremendous drive that they did in 1950. But if business is strong in other respects, there will be no sudden deflation of capital spending to throw the country into a recession.

You have to remember, though, that capital expansion plans are flexible—probably more flexible even than the survey indicates. If business doesn't measure up to expectations this year, there undoubtedly will be cuts in capital programs.

On the other hand, if business turns out better than expected in 1950, many companies may go ahead with expansion plans that now are on the shelf. According to the survey, most industries expect 1950 sales to come out just about equal to 1949. Their capital plans are geared to that forecast. If sales start to boom, manufacturers will need more capacity to keep up with them.

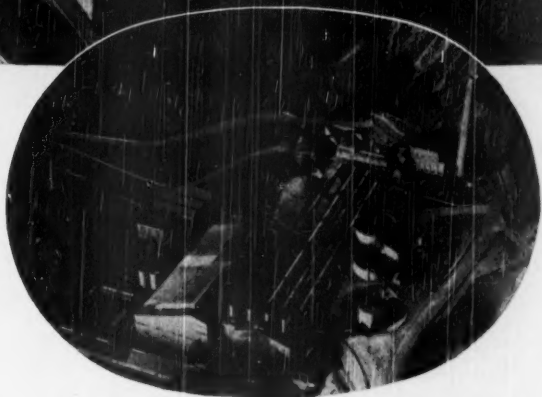
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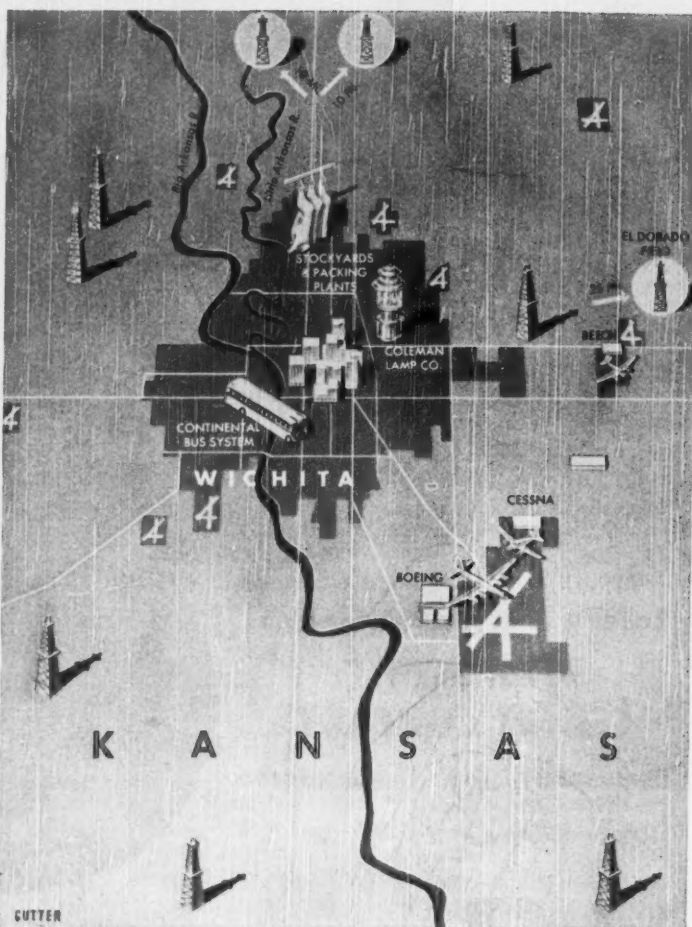
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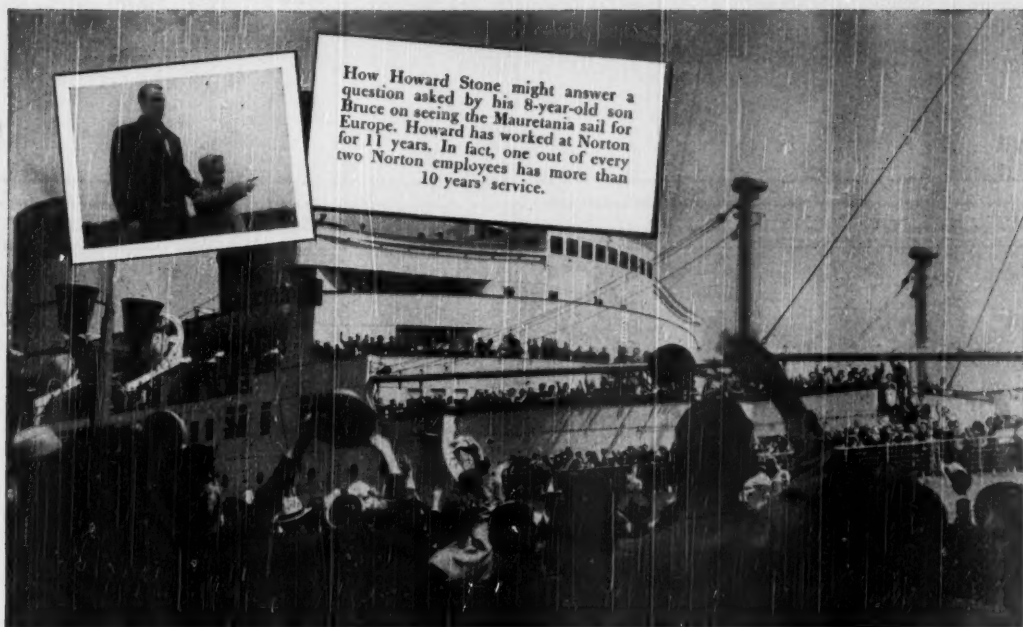
The war boom vanished, but the city has grown fat again off oil found under the prairies, wheat and livestock grown on them, and new airplanes tested over them.

Nothing is flatter than the windswept plains of southern Kansas; and well do the citizens of Wichita know it. But no place is better either, they would hasten to add, to grow wheat and test newly built airplanes. And if you happened to find oil under the ground, what else would you need to keep a town on its feet and prospering?

• **Seattle's Loss Wichita's Gain**—This week airplanes, wheat, livestock, and oil are keeping Wichita stepping along as briskly as a Kansas twister. Wichitans almost shrug off the national slump

in the aircraft industry. The Boeing Airplane Co. plant, with orders amounting to \$40-million, is working about 9,000 people. Officials think its payroll might even jump to 12,000 or 13,000 by mid-1950 when the six-engine B-47 jet bomber gets into full-scale production. Of course, Wichita's gain in this case would be Seattle's loss (BW—Sep. 24 '49, p. 22). But as one Wichita businessman said: "What the hell, that's life."

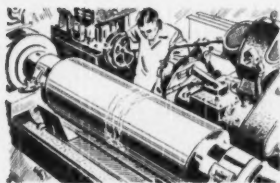
Even the smaller aircraft companies are keeping their heads above water—



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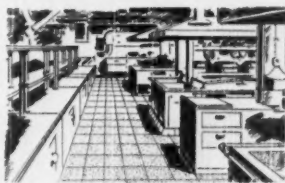
"Almost no limit, son, as long as the men who design and build them continue to take advantage of scientific progress in all the things that make ships strong, fast and safe.



"Things like the ship's steel plates. They must be just right. That's why the powerful rolls that form them in steel mills are kept smooth and true with big Norton roll grinders and fast-cutting Norton grinding wheels.



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"Yes, and attention to fine details is the sign of the wise ship designer. That's why the terrazzo floors in galleys of ships like the 'Queen Mary' get lasting, non-slip safety from a Norton product called Alundum aggregate."



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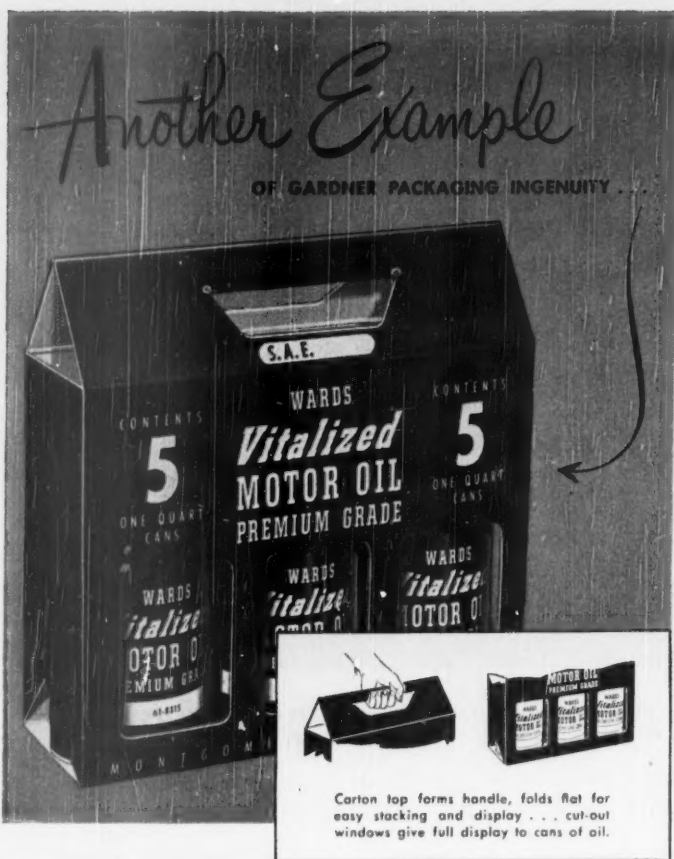
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despite the usual winter drop-off in business. Beech Aircraft Corp. has military contracts totaling over \$9-million, and is busy adding a fourth commercial plane to its present line of three. With a work force of some 2,200 (down from a wartime peak of 14,000) the plant was turning out one Bonanza a day, plus one twin-engine executive transport a week.

Cessna Aircraft Co. is still filling backlog orders on its personal planes, turning out about 13 a week with 525 employees. (The company expects to be turning out about 10 a day by spring.) As a sideline, Cessna makes metal furniture.

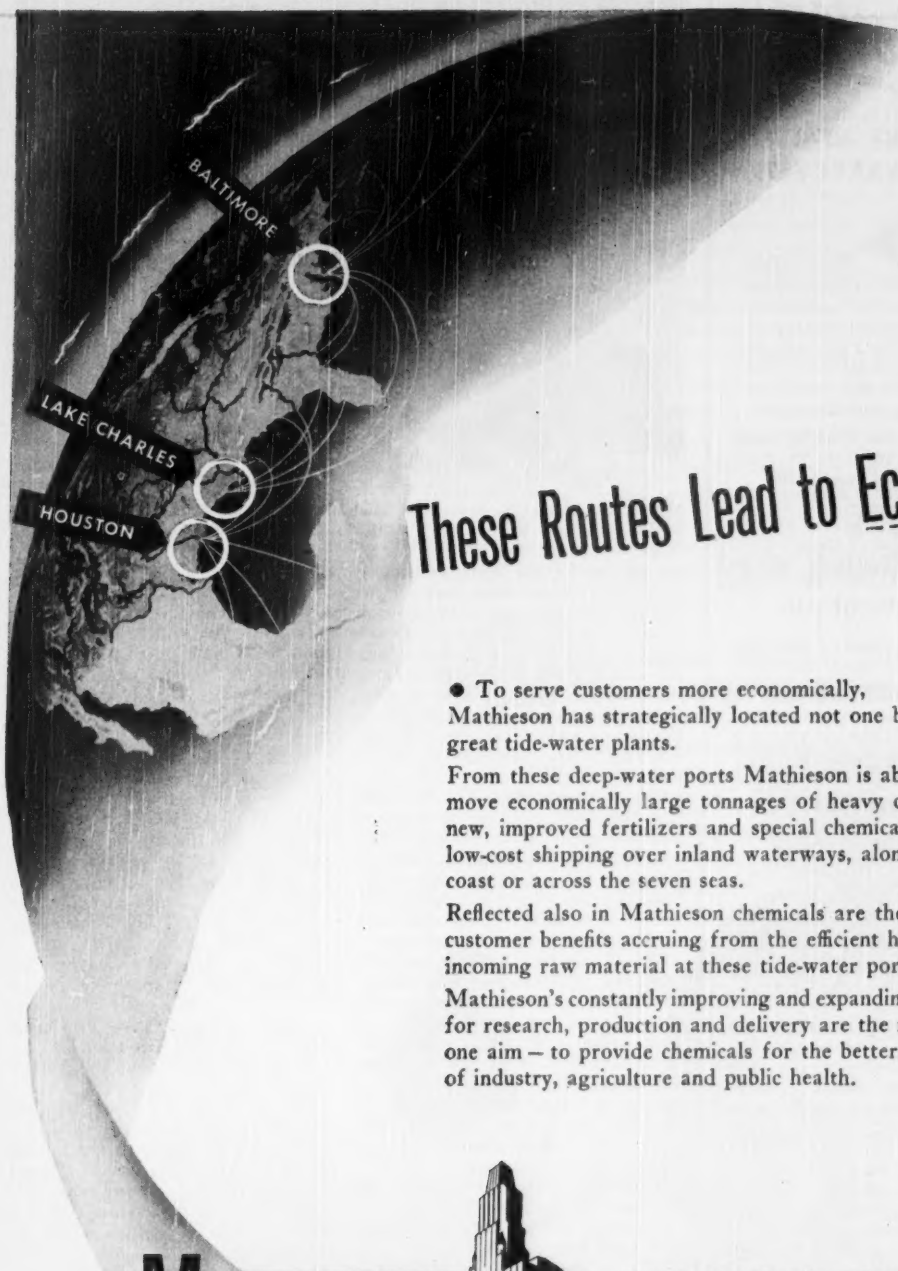
• **Snap Back**—All in all, Wichita's economy is throbbing along at record levels—a fact which few Wichitans would have predicted in 1946, when employment in the city's aircraft and aircraft subcontracting plants plummeted to 5,000 from a wartime high of 55,000.

The city's gross income for 1948 was estimated at around \$332.2-million, compared with \$273-million for the busy war year 1944, and \$120-million for 1941. Nearly all the slack has been taken up in the postwar employment line, too. At the peak of war production, there were some 70,000 people at work in Wichita. By November, 1949, according to the Kansas State Employment Service, the work force had climbed back from its 1946 low to 69,500. The city has also passed its wartime population record. From a peak of 210,000 in 1944, population dropped to 180,000 in 1946. By 1948 it had climbed back up to 199,000; and latest estimates put it around 216,000.

• **New Industries**—One big support to Wichita's postwar economy: the 200-odd new businesses that sprang up after



PINS on map show density of oil wells around Wichita. William L. Ainsworth, wealthy oilman, marks another.



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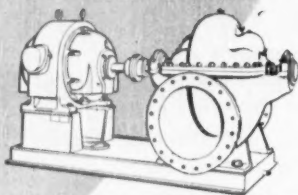
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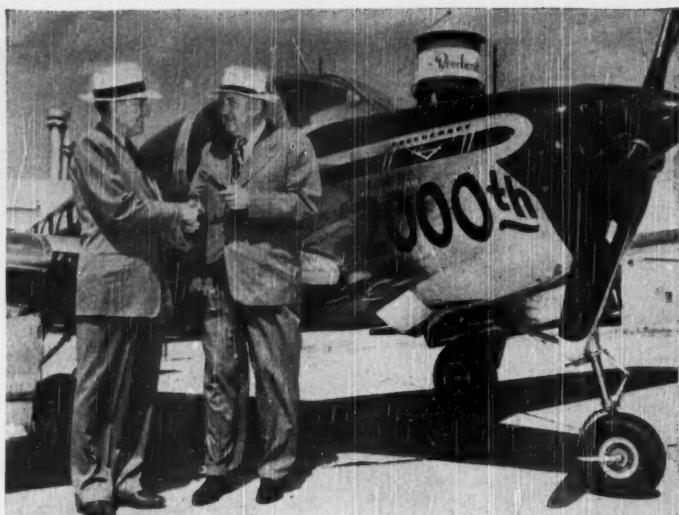


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AIRCRAFT BUILDER Walter H. Beech (right), one of Wichita's pioneer aircraft
builders, personally delivered the 2,000th Beechcraft Bonanza turned out of his plant.

the war. In 1939 the Wichita Chamber
of Commerce listed fewer than 200 in-
dustrial companies; in 1944 it listed
some 325 (including aircraft subcon-
tractors). Today the list has more than
500 names. Many of these are military
subcontractors who converted to other
lines—and who now make everything
from tennis rackets, bicycles, and shuf-
fleboards, to farm equipment and house-
hold appliances.

• **Old With the New**—For the most
part, these new industries have worked
well alongside such well-established
companies as, for example, Coleman
Lamp & Stove Co. Coleman lamps
hung in many a farmhouse before elec-
tricity came along. (They still hang on
the tailgate of many a chuck wagon.)
Today the company has kept pace with
the times by diversifying into bottled-
gas cooking stoves and oil space heaters.
Coleman has some 2,500 employees
on its payroll in Wichita, and has plants
in La Porte, Ind., and Toronto, Canada.

Wichita is also an operating center
for one of the nation's largest bus sys-
tems—the result of the Santa Fe Trail-
ways system being consolidated into
the Continental Bus System.

• **Equitable Balance**—Wichitans say
the secret of their town's prosperity is
an unusual balance between industry
and agriculture.

On the agricultural side of the scale
are wheat and livestock. Winter wheat
has been a stable crop in the area since
1873, when eight Mennonite families
moved in with two gallons of the seed.
This year's crop, according to farmers,
looks pretty good. Many are looking
for an average yield of 17 bu. an acre
compared with last year's 11. The only

thing they are worried about is where
to store the wheat.

• **Meat and Oil**—Livestock volume has
been down this winter. But beef and
lamb prices have stayed high—so live-
stock raisers' incomes haven't suffered
too much. The Wichita Union stock-
yards handle 4,000 to 7,000 cattle a
week and around 5,000 hogs.

Some of the biggest fortunes in
Wichita are based on oil. The city went
through its first oil boom in the early
'20's, and oil has poured a steady flow
of money into the city ever since. Pro-
ducing wells dot the prairies for miles
in all directions from the city, and the
El Dorado field, largest in Kansas, lies
25 mi. to the east. Oil refineries and
oil-equipment manufacturers are an
integral part of the city's business life.

• **Whisky and Women**—Wichita has
been familiar with booms of one kind
or another since its earliest days in the
1870's. When the Chisholm Trail was
cut through from Texas to Abilene,
Wichita became a rip-roaring cowtown
where trail herders quenched their thirst
for whisky and women. In 1871 the
Santa Fe R.R. pushed its line through
Newton, just 25 miles north of Wichita.
Disappointed but not discouraged, a
group of Wichitans raised \$200,000 to
build a spur to Newton, which was
turned over to the Santa Fe. That
saved another 25 steer-thinning miles
for the herders and made Wichita the
end of the Chisholm Trail.

• **The Prosperous '80's**—As Kansas grew
into a big wheat-producing area,
Wichita became the principal center
of the annual harvest. The city bur-
geoned from a population of 5,000 in
1880 to 31,700 in 1887. In that year

real estate deals in the city totaled more than \$34-million—topped only by New York and Kansas City.

It was a prosperous era. As one story goes, a rich Wichitan dropped a \$20 gold piece on the street and hesitated to pick it up because it would take \$40 worth of time. The city liked to call itself by such fancy titles as: "The Pride of Kansas," "The Mecca of Man," "The Wonder of the World."

• **The Aviation Bug**—Wichita's interest in aviation dates back to the early 1900's. In 1908 an early "aeronaut" brought a dirigible to the city, and people talked about it for years afterwards. In 1919 the airplane found a spot as a useful aid to local business. When a wealthy oil operator, Jake Moellendick, had to make a hurry-up trip to the nearby El Dorado field he hired a young barnstormer to fly him. Thereafter Moellendick was a firm backer of Wichita's aircraft industry. Soon builders like Clyde Cessna, Lloyd C. Stearman, and Walter H. Beech were testing models off this and other converted pastures.

As Wichita grew in the early '20's, so did the size of its airports. In 1924, Walter P. Innes, a local department-store owner, led a chamber of commerce drive to buy a 160-acre tract for an airport. But, by 1930, the site was already too small. So, in that year, the city bought a 640-acre tract in the southeast area. This grew into the city's present \$9-million municipal airport, adjacent to the Boeing plant.

• **Helping Hand**—Throughout Wichita's growth, local businessmen helped keep aircraft industries in the city. In the late 20's they kept the Boeing plant (formerly the Stearman Division of United Aircraft) by offering to help promote development of the company's aircraft. In 1932, Walter Beech, who had founded Travel Air Co., and was then president of Curtiss-Wright Airplane Co., moved back to Wichita and founded Beech Aircraft Corp.

• **Problems and Prosperity**—Wichita today has its problems along with its prosperity. Housing is still short—although private building has added 17,400 units to the city since January, 1940; and the federal government built 6,000 units during the war. Another 2,000 units are under construction.

Wichita has a city-manager government, and politics long ago took a back seat. The businessmen who serve on the city commission typify the town's outlook. And from the shine boy in the Broadview Hotel to the latest oil millionaire the outlook is good. As Walter Beech, president of Beech Aircraft, said last week: "Although some people believe 1949 brought . . . the long-anticipated slump, for Wichita it was singularly prosperous. . . . 1950 looks like an even better year."

MONKEYING WITH MALTHUS

Thomas Robert Malthus (1766-1834)
was the famous British economist
who believed that Population would
always grow faster than Food

Supply. It was a hungry, unhappy, hopeless doctrine — yet it seemed to check right down the line with 19th century facts.

Then came the day of modern fertilizers, nitrogen-enriched with such soil stimulants as SPENSOL (Spencer Nitrogen Solutions). The crop-worn earth gave forth new bounty — in many instances, twice, or even four times — as many bushels or pounds or tons per acre as were realized without fertilizer. Today — at least in the United States — it looks as though Food is winning the race with Population.

Malthus was wrong . . . as wrong as modern SPENSOL-enriched fertilizers are right! Another era has begun and new economist-philosophers must bring forth new economic concepts to fit a world in which Man helps enrich the Soil by the use of chemical fertilizers. If you are interested in this subject, Spencer Chemical Company invites you to write for fertilizer information and literature.



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FINANCE

Good Year for Bankers

Interest rates went down in 1949, but so did reserve requirements. Result: continued high earnings. And 1950 looks like more of the same to most bankers and some investors.

Commercial banking had no recession to buck last year.

1949 was a good earnings year for banks, with profits close to 1948's very satisfactory levels. Some banks gained as much as 10% over 1948, it appears from the bank operating reports now beginning to flood in.

• **Fewer Loans**—But despite the good earnings showing, last year had its worrisome moments.

Take the matter of business loans—the bank's best source of income. In the first half of 1949, with general business activity slowing, loans went down faster and for longer than ever before without an interruption.

• **Lower Interest**—Also, federal monetary policy reversed. In 1948 an anti-inflationary policy permitted interest rates on government securities to rise and reduced the amount of lendable bank funds by increasing reserve requirements.

In 1949 easy money was the objective. Two cuts in reserve requirements increased the lendable funds of the banking system. Instalment buying terms were eased; so were margin requirements on security purchases. Gov-

ernment bond prices were permitted to rise to exert pressure on money rates. And last fall the Treasury sliced the interest rate on its certificate offerings from 1½% to 1¼%.

The shift from a federal surplus to a federal deficit accentuated the trend. Retirement of government debt decreases bank deposits; resumption of deficit financing increased deposits.

As a result, money rates at the end of the year were still somewhat under those prevailing as 1949 started.

• **Statements**—Business loans rose again during the latter part of the year. But at year end most bank statements disclosed: (1) loan portfolios well under their year-earlier levels, (2) much larger holdings of government bonds, and (3) at least a moderate increase in deposits.

• **Earnings**—Only one thing prevented the drop in commercial loans from causing an appreciable drop in bank earnings—since business loans provide a much higher rate of return than most other investments. The saving factor was the increase in lendable funds which occurred at the same time as a result of the cuts in reserve requirements. This gave the trade more cash to invest, off-

The Billion-Dollar Banks: Now and in 1939

	Deposits (In Millions of Dollars)				% of Deposits in Cash and Gov'ts.		Approx. Ratio of Deposits to Capital Funds*	
	1949 Dec. 31	1939 Rank	1949 Dec. 31	1939 Rank	1949	1939	1949	1939
Bank of America (San Fran.).....	\$5,775	1	\$1,483	4	48.2%	46.1%	19-1	13-1
National City Bank (N.Y.).....	4,669	2	2,331	2	68.5	72.0	16-1	16-1
Chase National (N.Y.).....	4,385	3	2,804	1	70.7	75.4	13-1	12-1
Continental-Illinois (Chi.).....	2,348	4	1,324	5	88.0	91.4	13-1	14-1
Guaranty Trust (N.Y.).....	2,300	5	2,088	3	72.8	84.8	6-1	8-1
Manufacturers Trust (N.Y.).....	2,282	6	763	10	78.0	72.1	17-1	9-1
First National (Chicago).....	2,279	7	1,053	8	68.2	74.7	15-1	15-1
Security-First (Los Angeles).....	1,603	8	580	15	78.9	51.4	18-1	12-1
Chemical Bank & Trust (N.Y.).....	1,450	9	737	9	71.1	76.2	13-1	10-1
Central Hanover Bk & Trst. (N.Y.).....	1,448	10	1,107	7	73.2	86.9	11-1	12-1
Bankers Trust (N.Y.).....	1,432	11	1,125	6	67.6	80.4	9-1	11-1
First National (Boston).....	1,377	12	739	11	73.7	69.4	14-1	9-1
National Bank of Detroit.....	1,294	13	462	16	77.9	87.8	21-1	15-1
Mellon National (Pittsburgh).....	1,217	14	1,639	13	76.4	89.5	7-1	15-1
Bank of Manhattan (N.Y.).....	1,128	15	610	14	59.2	60.8	14-1	13-1
Cleveland Trust (Cleveland).....	1,058	16	368	17	69.0	67.1	20-1	11-1
Irving Trust (N.Y.).....	1,052	17	695	12	72.5	82.1	9-1	7-1

*Capital funds include capital, surplus and undivided profits. *Combined figures of Mellon National and Union Trust Co. Banks merged in 1946.



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• **Dividends**—Earnings of a few banks did drift below 1948 levels, but rarely far enough to endanger the recent rate of dividend payments. For a long time now banks have put a relatively small share of earnings into dividends; they've been anxious to improve the ratio of capital funds to deposits by retention of earnings (BW—Aug. 20 '49, p. 76).

I. Good Year Ahead

What about the outlook for 1950? Bankers do a lot of worrying about the trend of fiscal thinking in Washington, but even so 1950 looks good to most of them—at least for the first half of the year.

• **Warnings**—Some are not quite sure yet that 1950 earnings will fully match 1949. For example, Charles J. Stewart, New York Trust Co. president, thinks that banks may find it difficult this year to maintain interest rates, due to the government's continued easy-money policy. And he warns of a further drop in commercial loans resulting from smaller corporate construction programs.

President William S. Gray, of New York's Central Hanover Bank & Trust Co., has similar doubts: "For 1950 there is little prospect for a substantial increase in the demand for loans . . . or that the rate structure will improve . . . for loans or for investments." And Guaranty Trust Co. officials think it would be "wise to view the outlook for 1950, as a whole, with more conservatism than might be suggested by the tendencies prevalent at the beginning of the year."

II. Wall Street View

Investors generally are even less optimistic about bank prospects. For some time bank stocks have been selling well below their actual liquidating values. Last week, Standard & Poor's New York City Bank Stock index perched at a level only some 13% above its 1949 low—at a time when the composite stock average of rail, industrial, and utility shares had gained 23%.

• **Minority View**—Some Wall Streeters who follow the commercial banking picture closely, however, think the general outlook for 1950 is better than bank share prices—and the ultraconservative remarks of some Manhattan bankers—would indicate.

They see more than a fair chance that 1950 earnings will be at least as good as 1949. If loans decline, they expect enlarged security investments to take up the slack, just as they did last year. And this group doesn't expect money rates to cheapen much in the months ahead.

Their prediction: Most banks will enjoy a larger volume of earning assets in

1950 than in 1949. Time deposits should continue their steady growth. Demand deposits also are apt to trend upwards under the influence of a good tempo of general business activity and of government deficit financing. They look for no sharp increase in bank operating costs; these have stabilized long since.

The optimists insist that at heart bank management agrees with them. Why otherwise, they ask, have so many institutions been raising their dividend rates, declaring extra disbursements, and paying out stock dividends?

III. More Mergers

The recent trend toward bank mergers (BW—Aug. 6 '49, p. 70) will probably continue in 1950. Just where the lighting is apt to strike remains to be seen.

• **Brooklyn Trust**—In New York, the Brooklyn Trust Co. has long been the subject of many a merger rumor. It is still considered a likely candidate in Wall Street, even though George V. McLaughlin, president of the bank, told stockholders at last week's annual meeting that "if we are being bought out and merged, it is without my knowledge and . . . there is very small likelihood of that."

• **Commercial National**—Walter G. Kimball, chairman of New York's Commercial National Bank & Trust Co., also a subject of rumor, had a different story to tell. At the annual meeting last week he frankly admitted that the management and board of his bank are "entirely alert" to the possibility of merging with another institution, provided the conditions are entirely suitable.

RED-FACED BANKERS

Banks do make mistakes. But rarely have their mistakes shown up more embarrassingly than last week, when a \$14,950,000 bond issue of the Commonwealth of Massachusetts went by default to the third highest bidder.

It happened like this. When the bids were opened, it turned out that a syndicate headed by Lehman Bros. was high bidder at 100.177. Then somebody noticed that Lehman's supporting check was made out for \$29,900, instead of the \$299,000 (2% of the loan) required by the terms of the bidding.

Representatives of the First National Bank of Chicago, next high bidder at 100.129, were all smiles until their check was examined. It was drawn for \$289,000 instead of \$299,000.

So the issue went to Bankers Trust Co., of New York, which had bid 100.03 and had managed to make out a check for the right amount. The double error cost Massachusetts about \$22,000.



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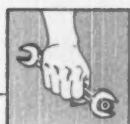
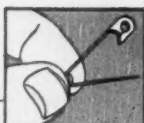


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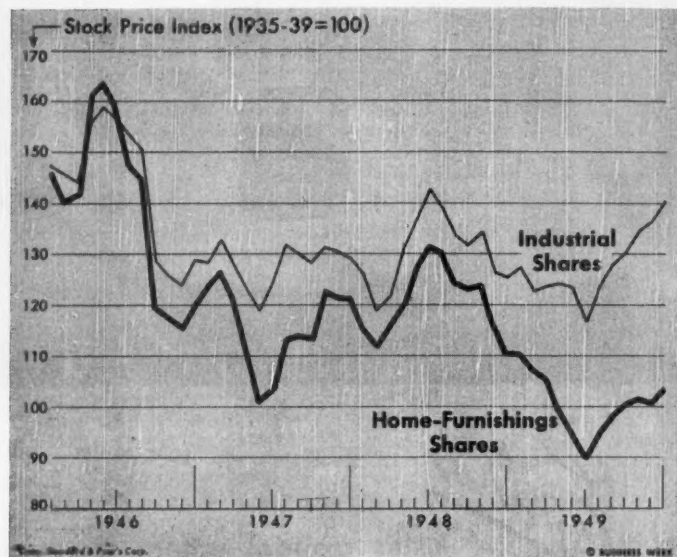
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Carpet Companies: Their Ups and Downs

	1936-1939		Earnings Per Common Share		1st Nine Months	
	High	Low	1947	1948	1949	1948
Artloom Carpet	\$1.09	\$0.96	\$2.14	\$2.66	\$0.14	\$2.39
Bigelow-Sanford	3.27	d 2.63	5.97	8.11	2.05	5.77
Firth Carpet	1.50	d 1.37	2.60	3.91	1.33	3.00
Lees & Sons	1.21	d 0.03	5.02	5.68	3.05	4.27
Mohawk Carpet	3.29	d 2.72	5.15	7.86	4.53	5.05
Smith (Alexander)	3.69	0.16	5.75	7.16	0.41	5.48

d—deficit



Have Carpets Hit the Ceiling?

Makers boost prices another 5%, blame cost of wool. But some observers think they should be cut to keep sales up.

Last week the carpet makers went out on a limb. With sales booming, the leading companies raised prices about 5%—on top of an earlier 5% boost last November. That put wholesale carpet prices at highest levels ever. But it doesn't make Wall Streeters very happy.

They feel this sort of price policy accentuates the boom-or-bust tendency of the industry. Since you can usually put off buying a carpet, sales fluctuate widely with prices. That means earnings do, too (table, top).

What the Streeters wonder is: Will sales hold up after the double price hike? The carpet people had a disappointing second and third quarter last year. Sales started a comeback only in the fourth quarter.

As a result, the Standard & Poor index for home-furnishings stocks was

still lagging behind the industrial index (chart, above). Of the eight stocks used in the index, six are primarily carpet producers.

• **Cut Prices Now**—Financial analysts feel that the industry should start cutting prices now—while sales are still good. That, they say, will insure the present boom.

Individual companies haven't released their final 1949 sales figures yet. But it's plain that last-quarter dollar sales will be as good or even a little better than the last quarter of 1948—a good period for the leaders.

The industry hangs the two price boosts on the cost of carpet wool. For one leading company, that runs about 30% of the wholesale price of finished goods, compared with about 27% six months ago.

But some Wall St. observers don't

believe wool prices are the only reason for the hikes. They think that if sales hadn't made a strong comeback in the fourth quarter, carpet makers would have absorbed any added costs.

• **Argentine Manipulation?**—You can even find some people along the Street who say that the rise in the price of carpet wool is a result of the increase in U.S. carpet sales. They say that Argentine carpet-wool producers are in cahoots with their government to get every penny they can out of U.S. buyers. Supposedly the government figures in this process by holding up export licenses at times. That puts pressure on the inventories of U.S. manufacturers.

Argentina can get away with this because since the war it has become the major source of supply for carpet wool. Carpet wool is coarse, long-fibered stuff which differs from the finer wools used for clothing. The U.S. and Australia produce practically no carpet wool.

U.S. imports of carpet wool from Argentina jumped from 24% of total carpet-wool imports in 1937 to an average 63% for 1946 through 1948 mainly because other countries which were big prewar suppliers have come within the Iron Curtain or have had internal troubles. But imports from Argentina dropped to 58% for the first nine months of last year.

• **Solution Sought**—As a result, the U.S. carpet industry is now surveying possibilities for developing synthetic products, in order to put some pressure on Argentina. It's also trying to buy more carpet wool in China, India, and Pakistan, which were major prewar suppliers.

Probably both their own price policies and the Argentine situation are behind carpet makers' latest price hikes.

Last year at this time, manufacturers had just hiked prices for the third time in about seven months. Then sales started to slide. Wool prices came down along with the drop in carpet sales. So the companies cut their prices about 2% at the end of the first quarter.

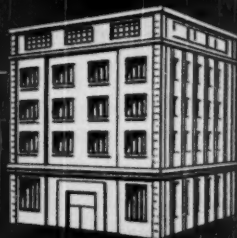
As sales continued to slump during the second quarter, they cut prices another 5%. Their official line was that they wanted to pass along lower raw material costs to the public. But at least equally important was the fact that something had to be done to stimulate sales.

• **Outlook Good**—For at least the first part of this year the industry will probably have no trouble with sales. Last week at the big Chicago market, retailers were placing heavy orders for March and April delivery. Manufacturers think that retail inventories are 30% to 35% under a year ago. For when retail sales were slow last year, retailers lived hand to mouth.

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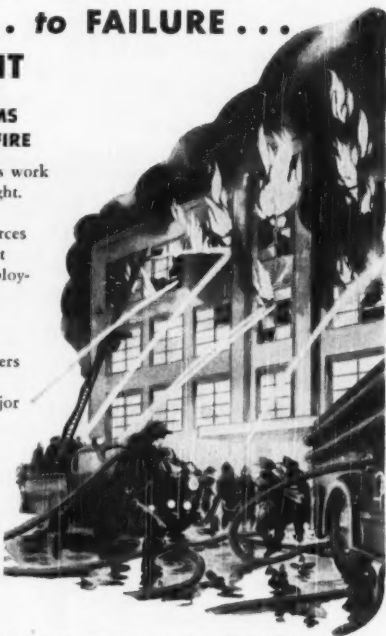
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production during 1949 was about 20% below the record 90-million sq. yd. turned out in 1948. The trade thinks that only 6-million sq. yd. of 1949 production have been carried over into 1950 by mill warehouses.

The industry is relying on several long-term factors and a short-term one to keep business up:

(1) Its surveys show that wall-to-wall carpets and rugs are rising in popularity compared with linoleum. (Linoleum people dispute this, claim their modern, practical patterns are being widely used all over the home.)

(2) The industry is beginning to supply higher-quality products to the mass market.

(3) The steadily rising volume of postwar residential building ought to help.

(4) So should the \$2.8-billion GI insurance dividends, which vets started getting this week.

• **Profit Picture**—Postwar profit margins for leading companies have run from about 12% to 22% of sales. Some Wall St. people think that's too much. They say that the high prices needed to maintain such margins contributed to last year's drop in sales.

They consider that the industry hasn't been telling the whole story about the relationship of operating costs to wholesale prices. They point out that when a leading company raised its prices some time back, it claimed that increased operating costs were to blame. Soon after it declared an extra dividend.

But postwar dividends in general have been conservative. During 1947 and 1948, dividends of the leading companies averaged around 30% to 40% of earnings. One good reason for this is that the wide swings in earnings of the industry make it necessary to play safe. Another is heavy postwar capital expenditures.

During the war, when earnings were a lot lower than they were later, price-earnings ratios went way up. In 1945 Bigelow-Sanford Carpet Co., Inc., common sold as high as 30 times earnings, Mohawk Carpet Mills, Inc., common for as much as 27 times earnings. The common stock of Artloom Carpet, Inc., a smaller company, sold at one time in 1945 for 41 times earnings.

Buyers of these stocks were looking forward to removal of price controls and big postwar sales. In 1946 price controls were removed, and earnings improved considerably. But when the 1942-1946 bull market ended, carpet shares went down with the rest (chart, page 92). Two years later, the highest price-earnings ratios were running from five to eight times earnings.

• **Effects**—The first nine months of last year had varying effects on leading companies. Bigelow-Sanford and Alexander

Smith & Sons Carpet Co. had about equal dollar sales and common-share earnings during the first nine months of 1948. Yet for the same period in 1949, Smith earned only 41¢ per share, Bigelow \$2.05 (table). Part of the answer, at least, seems to be that Smith's Sloane & Blabon division, which makes linoleum, ran into trouble. Bigelow is strictly a carpet maker.

Per-share earnings of James Lees & Sons Co., another big carpet maker, declined less than Bigelow. Reason is that about 20% of Lees' production is knitting yarns. The 1949 slump didn't hit knitting yarns like it did the rug business.

FINANCE BRIEFS

Consolidated Edison Co. of New York will need \$96-million in new money to finance its construction program through 1953. Cash on hand, plus \$12-million in short-term bank loans, will carry the utility company until this fall. The company is also thinking of refunding its preferred stock.

New York City government cost its 8-million inhabitants \$146 apiece last year, according to the Citizens Budget Commission. That's 30% higher per capita than in 1940.

Proposed cut rates on New York Central auto shipments from Detroit to northeast points won't go through yet. ICC heeded complaint by truckers' association, will hold hearings on the matter.

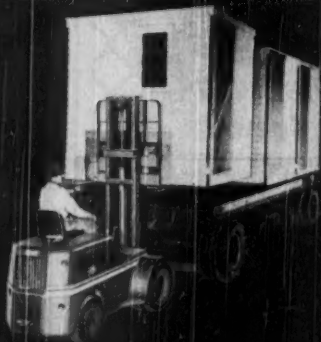
Mortgage portfolio of Prudential Insurance Co. of America rose \$822-million in 1949; total portfolio is now \$2.3-billion. About 62% of the new mortgages were on family residences.

Rumors that Minneapolis & St. Louis Ry. is considering a merger are just that, says president L. C. Sprague. The road has no such ideas at present.

Government payrolls are now running at an annual rate of \$22-billion, says Associated Press. That's a peacetime record. About 7.7-million workers—one out of every eight in the U.S.—are getting pay from federal, state, or local governments.

Capital Airlines will buy five reconditioned Constellations from Lockheed Aircraft Corp. on the instalment plan. Price: \$684,000 in 36 monthly instalments. Lockheed says this will be no precedent; object is to move planes it probably couldn't sell otherwise.

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Bears Come Out of Hiding

Last week's stock market break brought the bears out of their holes for the first time in months. Around the turn of the year, you could hardly find anyone in Wall Street who openly doubted the bull market's pedigree. Now the papers are sprinkled with bearish advertisements (picture). And many traders are wondering if the market is on the way down again.

Last week's drop was certainly a daisy. In just two days the Dow-Jones industrials lost about five points (2 1/2%). The rails spilled two points (close to 4%). Volume during the break picked up alarmingly. On the first day it hit almost 3-million shares. The second day it was 3,330,000—though all of that wasn't on the downside. Part of it came during the rally toward the end of the session.

This was a painful jolt for the bulls. But it shouldn't have been any surprise. The market hadn't had a real setback in more than six months. And for a week or more all the technical signs had been pointing toward an early spill (BW—Jan. 14 '50, p. 86).

• **Still Strong**—In the rebound that followed the break, the market has shown surprising strength. By the middle of this week, the averages had won back almost all the ground they had lost.

In fact, the recovery has been a little too good and a little too quick for com-

Security Price Averages

	This Week	Month Ago	Year Ago
Stocks			
Industrial	164.9	166.5	162.0
Railroad	43.7	44.3	40.6
Utility	83.5	84.0	82.1
Bonds			
Industrial	101.8	101.5	101.5
Railroad	86.4	86.7	82.6
Utility	100.5	100.6	100.0

Data: Standard & Poor's Corp.

fort. It takes more than a couple of days to consolidate the gains of a six-month upward movement. And the chances are that the break last week did only part of the job.

• **Rough Going Ahead**—For the short pull, then, the bears seem to have the odds on their side. The market is back in an area that has been giving it a lot of trouble. It looks overdue for a thorough-going technical correction. When that finally comes, it could last two or three months and take the in-

dustrials down from 12 to 20 points.

For the long pull, the bulls still can make as strong a case as ever. Everybody expected the market to have trouble getting through the area between 200 and 212 on the industrials. This zone has now turned into a major testing area. The market has come through the first part of the test nicely. It may not show up so well the next time. But if you had good reasons for being a bull two weeks ago, nothing has happened to change your mind.



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Net Working Capital Sets Record

During the third quarter of 1949, net working capital of domestic corporations (excluding banks and insurance companies) climbed to a new peak—for the third time in a row.

On Sept. 30, the Securities & Exchange Commission reports, the total stood at \$67.7-billion; that's about \$1-billion above the mid-year volume.

This growth was the product of: (1) A whopping \$1.3-billion expansion in current assets (mainly receivables, cash, and government securities).

(2) A mere \$300-million increase

in current liabilities (accounts and notes payable).

The increase in holdings of cash and governments was a direct result of inventory liquidation; the downward trend continued in the third quarter with a drop of \$1-billion.

Thus, going into the fourth quarter, the working capital ratio—current assets over current liabilities—was a healthy 2.19 to 1. Cash and governments alone covered 78% of all current debt. (At midyear the coverage was only 69%.)

Here is SEC's report on the working capital picture for the past 10 years (in billions of dollars):

CURRENT ASSETS

	Cash	Government Securities	Receivables	Inventories	Other Current Assets	Total
1939	\$10.8	\$2.2	\$22.1	\$18.9	\$1.4	\$54.5
1940	13.1	2.0	24.0	19.8	1.5	60.3
1941	13.9	4.0	28.0	25.6	1.4	72.9
1942	17.6	10.1	27.3	27.3	1.3	83.6
1943	21.6	16.4	26.9	27.6	1.3	93.8
1944	21.6	20.9	26.5	26.8	1.4	97.2
1945	21.7	21.1	26.3	26.3	2.4	97.8
1946	22.8	15.3	30.7	37.6	1.7	108.1
1947	24.1	13.8	36.4	43.9	1.6	119.9
1948	24.0	13.9	38.7	48.5	1.6	126.7
1949						
Mar. 31	23.4	14.0	37.5	48.5	1.6	125.0
June 30	24.3	14.8	37.1	45.7	1.4	123.3
Sept. 30	24.7	15.6	38.0	44.7	1.5	124.6

CURRENT LIABILITIES

	Accounts and Notes Payable	Taxes Payable	Other Current Liabilities	Total
1939	\$21.9	\$1.2	\$6.9	\$30.0
1940	23.2	2.5	7.1	32.8
1941	26.4	7.1	7.2	40.7
1942	26.0	12.6	8.7	47.3
1943	26.3	16.6	8.7	51.6
1944	26.8	15.5	9.4	51.7
1945	26.1	10.4	9.7	46.2
1946	31.6	8.5	11.8	51.9
1947	35.6	10.6	13.1	59.3
1948	37.1	11.6	13.1	61.9
1949				
Mar. 31	34.6	11.2	13.4	59.2
June 30	32.7	10.6	13.3	56.6
Sept. 30	32.9	10.2	13.7	56.9

NET WORKING CAPITAL

1939	\$24.5	1946	\$56.2
1940	27.5	1947	60.6
1941	32.3	1948	64.8
1942	36.3	1949	
1943	42.1	Mar. 31	65.8
1944	45.6	June 30	66.7
1945	51.6	Sept. 30	67.7



A dollar doesn't care what you buy

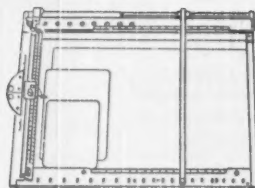
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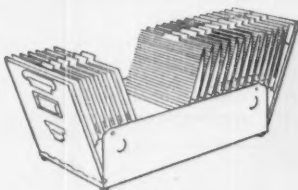
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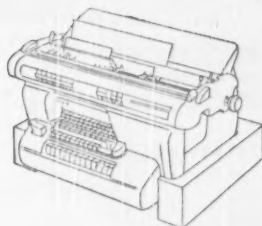
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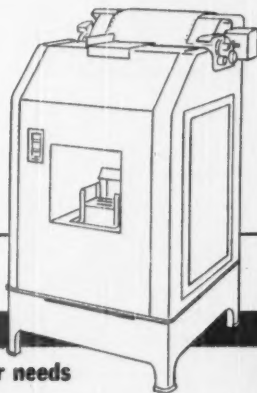
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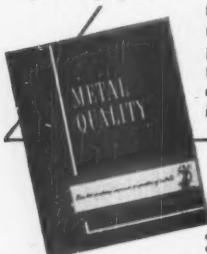
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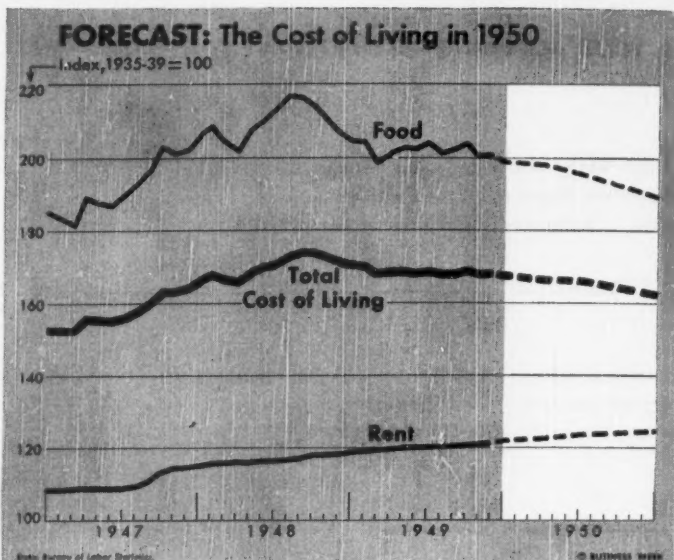
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LABOR



DOWNTREND in food costs should offset rent uptrend, experts say. On labor front...

As Index Falls, Peace Hopes Rise

A 1950 decline in living costs would ease union pressure for wage hikes, dull labor's bargaining edge. But social-welfare demands and interunion rivalry can still make negotiations tough.

There's favorable news for a peaceful 1950 on the labor front. It is contained in the best available estimates on where living costs are headed in the next 12 months. It's true that the cost of living isn't the overwhelming factor it once was in labor negotiations. But it still is probably the single, most important item determining union wage demands.

The news boils down to this: Washington experts on the index expect it to drop from its present 168.5 to about 163.0 by December, 1950. Business economists generally support this judgment. Only a few union research men who have always been bullish on living costs dissent.

• Pressure Eased—If the cost of living is moving along a perceptibly downward course by mid-1950, the fifth postwar round of collective bargaining won't feature large and determined wage increase demands. The unions will still be asking for more money and for sizable amounts of it. But they won't show a flinty resolve to make final settlements only after winning whopping pay boosts. A declining price index means a different rank-and-file attitude toward pay envelopes.

The movement of retail food prices will contribute further to a milder temper on the part of union membership—if present forecasts prove valid. These prices are slated for a drop from their present 200.5 index figure to 190.0 by the end of the year. And it is this predicted decline that will carry the index lower, despite the fact that rents are going up.

• Reservations—For two reasons, living-cost trends must be used with caution as a basis for forecasting labor relations:

(1) Union demands have been turning away from direct pay-envelope items;

(2) Interunion rivalry to win the best settlement can sometimes be as important as economics in making unions tough.

Last year a whole field of "nonwage" matters were opened to collective bargaining. Pensions and welfare issues overshadowed wages. In the next series of negotiations with industry, the unions will be ploughing this field deep. They will seek "liberalizing improvements" in existing welfare programs, extension of the principle of employer responsibility to further areas of wel-

fare, and larger roles in the administration of these programs.

Angled thus, profits—in union terms, “ability to pay”—are more important than living costs in fixing the magnitude of union demands. But living costs can be decisive in determining whether welfare demands will be supplemented by serious pressure for wage hikes.

• **Union Rivalry**—Few sections of industry can have failed to learn one lesson from the collective bargaining experience of the last decade: Unions are never at a loss to find justification for anything they choose to demand. Nevertheless, distinctions between real and spurious justification have not altogether lost their validity.

The borderline between real and synthetic worker needs, as they are formulated in labor's demands, is most often crossed these days when unions compete with each other. When the leaders of Union X feel that they must get as good a deal as that won by the leaders of Union Y, the real needs of the union membership become secondary considerations. At such times, employers run into a union intransigence that's hard to overcome with facts, logic, or economic realities.

But, while the follow-the-leader game now played by union officials makes hash of realistic bargaining, the fact remains that the leader can't get quite so far in front when living costs tend downward.

• **Forecast**—Here's the guesswork of government experts on where the cost of living index is headed:

Component	1949	1950—			
	Actual	(Estimated)			
		Nov.	Mar.	June 30	Dec. 31
Food	200.8	198.9	195.7	190.2	
Rent	122	123	124	125	
Apparel	186.3	183.5	180	175.7	
House Furnishings	185.4	185.90	185	180-185	
Over-all Index ..	168.6	167.8	166.8	163.7	

UNEMPLOYMENT PAY JUMPS

Unemployment compensation set new records in 1949—both in number of claims and in the total amount paid out.

The U.S. Bureau of Employment Security last week reported that state employment agencies paid out \$1.7-billion to 7.5-million jobless persons last year.

In 1948, only \$790-million was paid out to 4-million unemployed. Heavy industrial layoffs, particularly in the first seven months of 1949, caused the big jump.

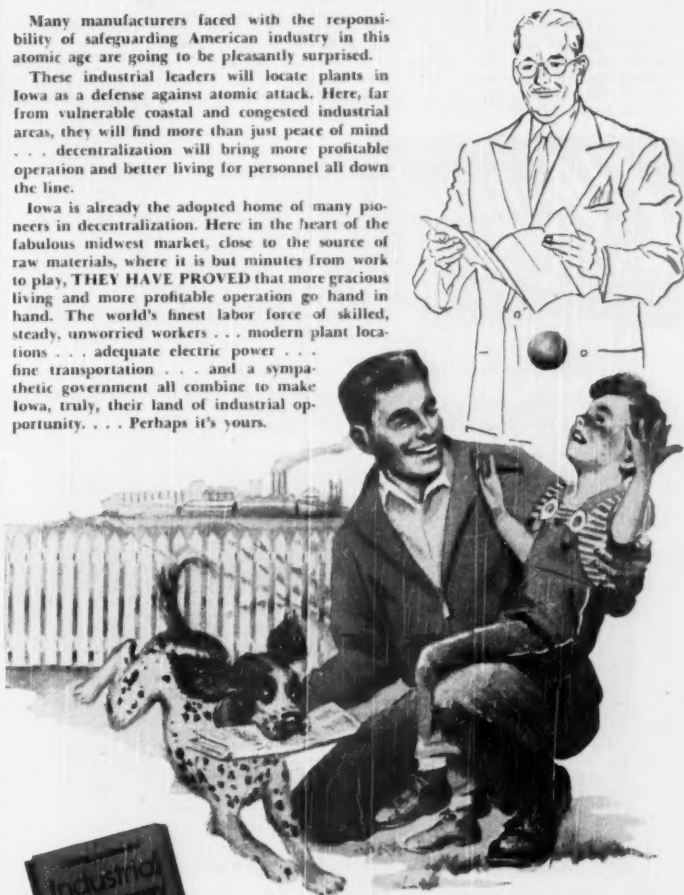
The Bureau of Employment Security also reported that payments in 1949 topped unemployment-insurance taxes by some \$600-million. Because of this, unemployment-compensation payments cut into fund reserves by about 8% to \$7-billion.



Many manufacturers faced with the responsibility of safeguarding American industry in this atomic age are going to be pleasantly surprised.

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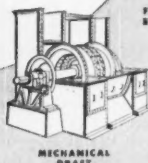
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A Message To Unorganized Workers

Do you work in a non-union plant?

If you do, are you satisfied with your wages and working conditions? Probably not.

What is the answer? Your plant should be in this Union.

What would wages in this country be today if it were not for the Union? Organized labor is responsible for upholding wages.

A Union man is one who knows what the Union has done for him—is proud of it—and is proud to contribute to its support by paying dues.

An anti-union man is one who has received some of the benefits of the Union without paying dues. Are YOU an anti-union man? Are you proud of the fact that you are "riding on the back" of other workers who are active union men and are helping build and maintain their Union?

BROTHERS! It is nothing to be proud of!

Don't forget that any benefits you enjoy can be taken away from you at the whim of management. Your company can cut wages; it can fire you unjustly and you have to take it on the chin.

You probably carry life insurance; what about job insurance?

With a Union in your plant, your grievances are taken up promptly by a recognized grievance committee. Can you approach YOUR company as equal terms?

Have you ever asked to have your wages increased—your working conditions improved?

And how far did you get with the company? Probably the management tried to make you think you were lucky to have a job with them—and they laughed off your request for a raise and better conditions.

The Union can't protect you, your wages, your seniority and other rights, unless you come into the Union and join in the fight.

Think this over, and when you are convinced that you owe it to yourself, and your family to join the Union, call, write or telephone.

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Ask for a Staff Representative or Director Donovan.

All are ready to serve you.

(Adv. from The Cleveland Plain Dealer)

New Organizing Tool: Union Newspaper Ads

The United Steelworkers (CIO) started something new in Cleveland last week—an organizing drive by way of the press. The union put an \$85 ad in The Cleveland Plain Dealer to impress non-union workers in the Greater Cleveland area with the advantages of unionizing. This week, it followed up with a smaller ad, and it plans to continue the campaign indefinitely.

• **Target: Small Plants**—The ads are aimed, in particular, at workers in small fabricating plants. It would take a lot of time and effort to reach them at the shops. So USW's Cleveland district director, William Donovan, got the idea of trying newspaper ads to reach workers in their own homes.

The first ads were general. Followup ads will be more pointed. They'll tell nonunion men just how to go about organizing.

As replies come in, field men from the USW office will snap into action—using all the familiar organizing techniques.

• **Test Case**—The campaign so far is strictly a district operation—it doesn't have any backing, financial or otherwise, from Philip Murray or other national officers of the steel union. That doesn't necessarily mean the leaders aren't interested. If the experiment pays off, management can be sure that newspaper ads will begin to show up elsewhere, wooing nonunion men in the privacy of their homes.

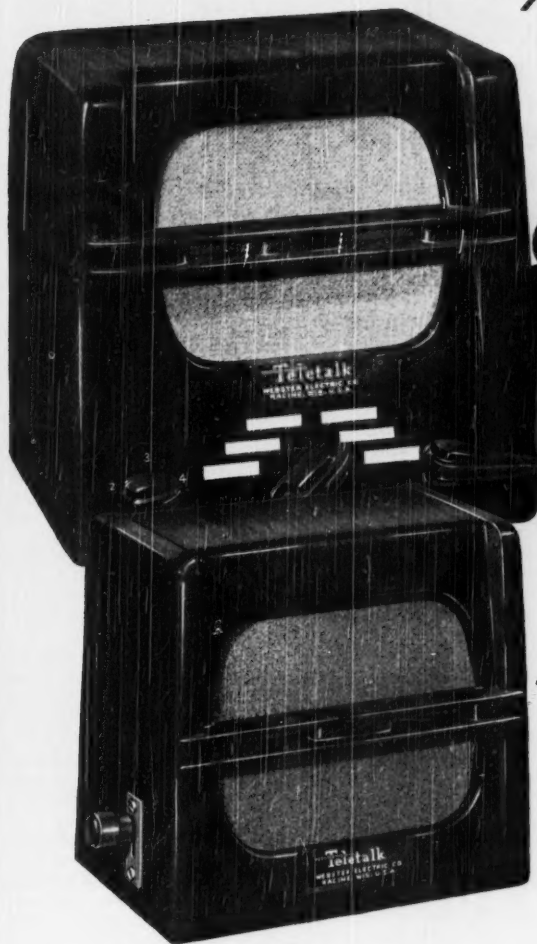
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William W. Miller, Stewart-Warner industrial relations chief.

Defense Contracts Flareup

Stewart-Warner effort to guard against subversives "to retain and secure military contracts" leads to dismissal of five men. They say they will sue S-W for unfair labor practices.

"In the case of military contractors, access to classified military information will be denied if any of the personnel of the contractor is ineligible for access to information or material under the criteria provided for individuals."

That's Dept. of Defense jargon. What it means is that a company can't get or keep a military contract if it has subversive employees too close to materials or information covered by that contract.

In principle, not even the most devoted champions of civil liberties quarrel with the idea. The Communists have screamed. But they have lured few non-Communist supporters on the issue. Keeping subversives away from classified information seems to have pretty general acceptance.

In practice, however, it's a different story. The Attorney-General has a list of organizations he considers subversive. But he is charged with having been arbitrary; with putting some organizations on this list before giving them a chance to answer allegations made against them; with putting some on that are not subversive, and leaving some off that are.

What makes that list important to employers is the word "criteria" in the Defense Dept.'s order. For one of the "criteria" by which an individual's loyalty or subversiveness is judged is membership or participation in one of these blacklisted organizations.

Thus, as a result of what it claims

were the highest and most disinterested motives, the Stewart-Warner Corp., of Chicago, is now in hot water trying to carry out Defense Dept. policies. Its experience has cost it dear in the vital area of community relations where it has long been active.

This is what happened:

• **Five Fired**—Stewart-Warner fired five employees because they did not sign affidavits swearing they were not Communists and did not believe in Communist principles.

The five, all veterans with nine to twenty-six years service, are the first to be directly affected by Stewart-Warner's anti-Communist policy. It went into effect Dec. 19, 1949. Until that date, the company had spent a long time figuring out the way it could comply with the Defense Dept. regulation.

Four of the employees are executive board members and one is a steward of left-wing Local 1154, United Electrical, Radio and Machine Workers. This was the former collective bargaining agent for 2,300 workers at the Chicago plant.

On Dec. 19, the company invoked a policy of firing Communist Party members and believers in Communist principles. It asked the five to sign the

oaths. And it ordered them out of the plant when they refused to do so.

• **Backfire**—Stewart-Warner wanted its employees to swear that they were neither Communists nor Communist sympathizers, and had not been since Dec. 7, 1941. The position the company took against present membership or sympathy with the Communist Party didn't excite anybody except those directly affected. But the retroactivity brought down the roof.

A national magazine, The New Republic, led the chorus. It pointed out that some of the most effective anti-Communists were ex-Communists who had learned the evils of communism by direct experience in the party. Others pointed out that S-W's policy shut the door to those workers who, having once accepted Communist doctrines, wanted to reverse themselves. If the S-W rule prevailed, they would be outcasts with no incentive to return.

• **Unfair Practice**—Meanwhile, the company gave the employees 123 days to think it over, finally ordered them "removed permanently from the firm's payrolls." Their lawyer said that unfair labor practice charges would be filed against the company. Stewart-Warner will be accused of discriminating against the employees for union activity, a Taft-Hartley law violation.

The charge is that S-W is seeking to destroy "real unionism" and trying to "cram company-unionism" down the throats of its employees.

• **Answer**—William W. Miller, Stewart-Warner director of industrial relations, countered:

"We have concluded, as a consequence of no request for another time extension, that they cannot or do not wish to deny allegiance to or belief in the things the Communist Party stands for. We consider their case closed."

Miller said that "union activity had nothing to do with the situation—we were dealing only with the Communist question."

He added that the company does not "intend to submit a non-Communist affidavit request to others now in our employ." Presumably, only the five were suspect.

Even the new, anti-Communist CIO International Union of Electrical, Radio and Machine Workers, arch rival of left-wing UE, exploded against a policy requiring "non-Communist" affidavits from employees.

• **Retreat**—In the storm, Stewart-Warner softened its policy. But, basically, it is standing pat against employment in Chicago of Communist Party members and believers in communism. It also is standing firm in a demand for oaths from suspects and the right to fire those who refuse to sign.

Originally S-W declared it would not

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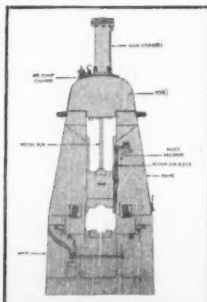
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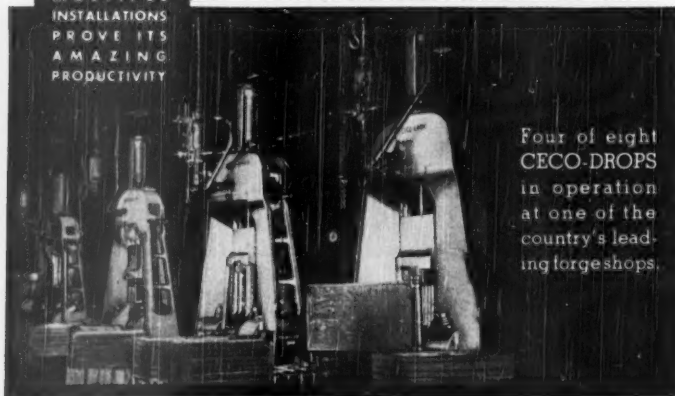
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hire or keep on its payroll any Communist party member, former member or supporter, or believer in Communist principles. It justified this by citing Defense Dept. regulations. But, unofficially, Military Intelligence ventured the opinion that S-W was misinterpreting the regulations. They added—but it will be cold comfort to employers—that even with the best intentions, the regulations could be confused.

Revising its policy, Stewart-Warner has decided that Communists who have quit the party and can convince the company they no longer believe in communism can work at the plant. The cutoff date, Dec. 7, 1941, is canceled in the modified policy.

• **Explanation**—Miller, director of industrial relations and a lawyer, conceived and drew up both the original and revised policies. He said that the company had studied this line since last April before putting it into effect. Stewart-Warner's top management approved it.

Miller maintained that the company's "ability to retain and secure military contracts and furnish additional employment might be affected by our retaining in our employ people who are ineligible to have access to military information. The policy is beneficial not only to the government and Stewart-Warner, but also to all Stewart-Warner employees who are not Communist sympathizers."

• **First Oath**—The original affidavit which the company demanded suspected employees to sign stated:

"... being duly sworn to tell the truth, the whole truth and nothing but the truth, deposes and says that he is not and has not been since Dec. 7, 1941, a member of, affiliated with, participant in the program of, or a supporter of, the Communist Party, or any of its branches, subsidiary or sponsored organizations, or any subversive organization, party or association that authorizes or approves the commission of acts of force or violence contrary to law, or which seeks to alter the form of government of the United States by unconstitutional means."

Miller also explained that the date Dec. 7, 1941, had been chosen because it was the date of the entry of the U.S. into World War II and "would be appropriate."

"We don't want in our plant people who have changed their minds (about communism) for political reasons," Miller says. "They're just as bad."

"In the modification if our policy, we will use a more recent date. Thus, anyone who had been a Communist in the past and now can convince us that he has resigned and no longer believes in Communist principles is eligible to work at Stewart-Warner."

"But we must be convinced that he

has made a complete break from the Communist Party."

• **Too Tough**—Union officials argued that Stewart-Warner's original policy was so strict and the required oath so iron-clad in wording that employees could be blacklisted by industry and prevented from getting a job anywhere.

"At least one of the five employees ordered out of our plant indicated to us that he was not a Communist," Miller said. "He was definite on that. But he wouldn't answer whether he previously had been a member of the party. It was then that we decided the policy ought to be changed."

"The decision to change the policy was our own. There had been no direct complaints to us from other sources. We decided it didn't make any difference to us what a man did in the past . . . if he doesn't hurt the company at present or in the future."

• **Sincere Signatures**—Miller said that Stewart-Warner did not want its employees to sign the oath with tongue in cheek in the same way that many left-wing union officials had done.

"They resigned from the Communist party, but they did not give up Communist principles," he charged.

"We want to be convinced that all resignations from the Communist Party are genuine, that the resignations were not made just so that the employees could keep their jobs."

He went on: "The purpose of our policy is to give us two-sided protection: (1) to prevent the destruction of our business system and Stewart-Warner as part of it; (2) to safeguard us from the military angle."

Miller admitted that the company's originally announced policy went beyond the Dept. of Defense release. As modified, however, he said the policy did not go beyond the requirements.

• **Honorable Intentions**—Miller said that Stewart-Warner had intended "getting along" with UE in Chicago.

"We've had no UE strikes in Chicago or, in fact, strikes by any union in the plant," he added.

"There only have been two work stoppages in the Chicago plant since 1943, when Local 1154 became bargaining agent."

"They were minor. For example, one that took place during working hours occurred when the company charged that the union had abused the 10-minute wash up period before quitting time. We took that away from the union. And the workers left and washed up, anyway."

UE Local 1154 was collective bargaining agent for Stewart-Warner's Chicago production-maintenance employees from 1943 until June 1, 1949.

• **Rough Going**—But Local 1154 didn't always have smooth sailing. For years, a "Committee for CIO Policy" within

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the local charged it with being a Communist Party front.

Local 1154's contract would have expired June 1, 1950; it provided for a wage reopening in 1949.

Under the opener, UE whipped out its now well-known demand for a \$500-a-year "package" increase for each employee. Stewart-Warner made no counter-offer, held firmly against any raises.

• **Surprise Move**—Suddenly last June 2, the company invoked a clause in the contract which provided that either the company or the union could terminate the agreement in case of a deadlock on wages or a welfare program. The company canceled the contract and withdrew recognition of Local 1154.

The union was furious. It called mass meetings. There was strike talk; but strike threats soon died away. At that time UE was not in compliance with the Taft-Hartley law. Its officials had not filed oaths with the National Labor Relations Board that they were not Communists, so UE could not get on NLRB ballots.

• **Another Contender**—Local 1031, AFL International Brotherhood of Electrical Workers, began to distribute handbills at Stewart-Warner. It notified Stewart-Warner that it represented a substantial number of employees. The company petitioned NLRB for a collective-bargaining election, which was held last July.

But before the election, Stewart-Warner fired John S. Kelliher, president of Local 1154, an assembler at the plant for 17 years. He was charged with having violated company rules by leaving the plant without his foreman's permission. He was accused of having engaged in union activity during working hours.

Kelliher's protests got him nowhere. He stayed fired. Now, the NLRB has issued an unfair labor practice charge against the company for allegedly helping AFL win that election.

• **UE Ouster**—Meanwhile, the CIO, at its convention in Cleveland in November, expelled UE and all of its locals on charges of being Communist-dominated.

Stewart-Warner's anti-Communist action followed shortly thereafter. But what it thought was a Defense Dept. blueprint proved to be a road-map to a hornets' nest.

The Pictures—Acme—21 (bot. lt.); Alfred Eris—24, 25; Harris & Ewing—21 (top); Int. News—21 (bot. rt.); Syd Karson—48, 49; Keystone—117 (lt.), 118; Wide World—27; Dick Wolters—58.

Plant Gambling

Report says many employers are afraid to clean it up. Two cases prove it's tough even if they want to.

A subcommittee of the Citizens' Committee of Massachusetts, Inc., put the finishing touches this week on a report that's sure to cause a stir. It shows that in-plant gambling involves an annual \$150-million to \$400-million of Bay State industrial workers' money. And it warns: The "take" is growing bigger every year.

But this is what is expected to raise howls—the report complains that few employers seem willing to clamp down.

Four months of surveying throughout Massachusetts are the foundation of the study. There's also a look at the in-plant gambling situation in other states—echoing a BUSINESS WEEK report (BW—Aug. 21 '48, p. 92) that gambling is now a billion-dollar business and a major problem for management.

The Citizens' Committee says that it isn't so much the money lost by workers that worries management (that's a problem for the men who bet). It's the lost production time and efficiency.

• **Fear**—Yet, says the Citizens' Committee, most employers seem afraid to put their feet down because they think that would stir up more trouble than gambling itself does.

Two recent arbitration cases show what employers who try to stop gambling are up against. To make disciplinary action stick, they must prove gambling charges beyond any reasonable doubt. That means making a clear distinction between friendly, amateur gambling—a little betting on football or the World Series—and illegal betting and bookmaking.

Lockheed Aircraft Corp. lost an arbitration, based on discharge of two men, because it couldn't prove they had engaged in "professional" gambling.

Chrysler Corp. won an earlier arbitration because it could back up its reason for firing an employee: He had been found guilty in court of being a member of a gambling ring operating in the Chrysler plant. The arbitrator held that this in itself was enough to warrant discharge.

• **Lockheed Case**—Lockheed's troubles started last fall. At that time the company dismissed two employees after finding out that they had "accepted horseracing bets on company time and property." A Lockheed rule bars gambling in the plant.

The two readily admitted betting on horses. But they denied that they had

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ever "booked" bets for others. They said they had only relayed wagers for friends. The company had a different story: The two men were professional gamblers and had "alliances with the underworld."

Their union (International Assn. of Machinists) objected to the discharge, forced the case to arbitration. IAM's defense made these points:

(1) Both men had excellent work records. This the company admitted.

(2) Disciplinary action was based on charges dating back 12 to 18 months.

(3) Statements were obtained from other plant employees. IAM alleged, "by threats and intimidation."

(4) At most, Lockheed could prove only that the two men "placed bets for friends as an accommodation. . . . There is no convincing evidence they acted as bookies."

(5) The company was inconsistent because, while it fired the two men who took the bets, it didn't penalize those who admittedly placed them.

IAM made clear that it wasn't challenging Lockheed's right to fire anyone for in-plant gambling; it said it took up the case only because the discharges seemed unjust.

• **The Award**—The arbitrator agreed almost 100% with IAM. He ordered the pair reinstated, with back pay. Reason: The discharges were discriminatory because those who placed bets weren't punished. Besides, charges were based on "assumptions . . . that the company was unable to prove."

• **At Chrysler**—A Chrysler employee was arrested, along with 22 others, in Oct., 1947, on a charge of conspiracy to violate Michigan gambling laws. The company kept him on the payroll as long as there was reasonable doubt of his guilt. He was out on bail for a year, awaiting trial. After he was convicted of the charge and fined \$1,000, Chrysler fired him.

Chrysler didn't claim that the worker had directly handled any policy slips in the plant. But it argued that the company didn't have to employ a man "who over a period of years has been associated with a large and notorious gambling ring, and who has finally been convicted of a felony."

Despite its disapproval of in-plant gambling, United Auto Workers (CIO) defended the man to final arbitration. The union argued that the conviction was for "outside activities . . . in no way related to his job with Chrysler."

• **The Award**—The arbitrator agreed that there was no evidence that the man had ever dealt in policy slips on Chrysler property. But, he ruled, court conviction proved the employee had been a member of a ring which operated, in part, on company premises. That's enough, the arbitrator decided, to "sustain the . . . [discharge] action."

LABOR BRIEFS

Guaranteed annual wage is next big social objective of CIO auto workers. Union President Walter Reuther said this week it will come right behind pension and insurance demands.

Supreme Court this week refused to take up an AFL challenge of a Florida law which limits picketing to the premises of an employer involved in a labor dispute.

Hike in retirement pay, amounting to 20%, is sought as amendment to railroad retirement act. Aim: Induce older workers to retire, give younger men a chance.

Suggestion awards to General Motors employees since April, 1942—when plan went into effect—total more than \$5-million. Of 559,000 suggestions, 23% were useful. Awards averaged \$39.23.

Steel-union terms on which CIO called off strike threat against American Locomotive plants: \$100-a-month pensions, including federal social-security benefits; employer-financed insurance costing 24¢ to 4¢ an hour per employee; no wage cuts.

WATCH YOUR STEP

Better recheck this week to be sure you are on the right side of the wage-hour law. The law will change on Jan. 25, and there's more to the changes than just the new 75¢ minimum hourly wage, revisions in overtime-pay rules, and narrowed coverage.

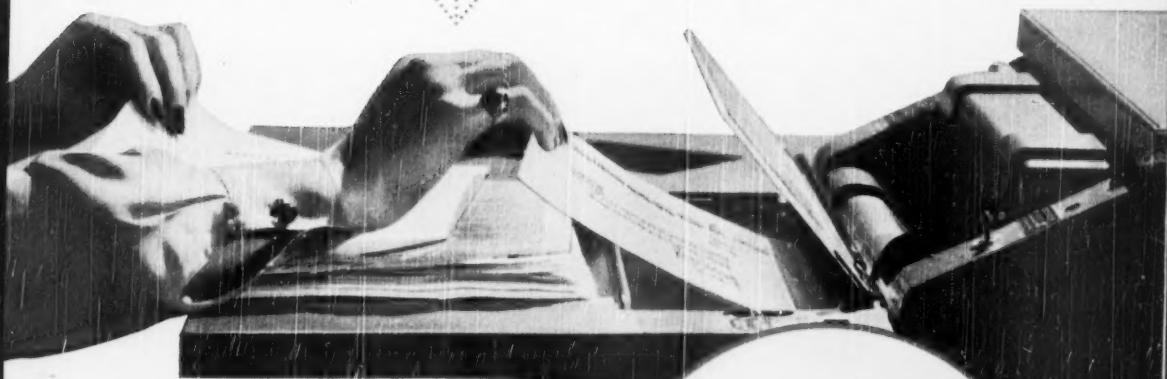
New rulings, interpretations, and bulletins are coming out of wage-hour offices almost daily. Some of them are potential troublemakers for management.

Among other things, they affect regulations covering:

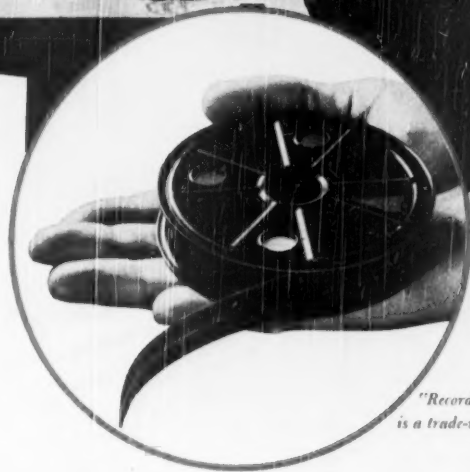
What records you should keep, and for how long; profit-sharing bonuses; incentive piece rates; talent fees for performers; use of child labor; subminimum (below 75¢ an hour) rates for handicapped workers; apprenticeship agreements; employment of white-collar workers; subminimum learner rates; and subminimum rates for Puerto Rican industries.

*Through the magic of
Recordak microfilming*

*you get photographically accurate
and complete records
as easily as this:*



There's just one thing to do—drop your letters, invoices, or other documents into the Recordak Microfilmer. The machine does the rest . . . with truly amazing speed, accuracy, and economy.



*"Recordak"
is a trade-mark*

It records documents instantaneously—up to 100 per minute when fed by hand; up to 350 per minute when the Recordak Automatic Feeder is used.

It records them with photographic accuracy and completeness . . . on compact rolls of microfilm which can't be tampered with or altered without detection. *Extra protection which you'll appreciate!*

It records them for a fraction of a cent apiece—7,000 business-size letters, for example, on a \$3.90 roll of film. A roll of film, by the way, that's no larger than the palm of your hand . . . that can be filed in

just 1% of the original storage space—ready for immediate review—greatly enlarged—in the Recordak Film Reader.

. . .

Because Recordak microfilming increases record-keeping efficiency in this manner, it has been adopted by 65 different types of business, thousands of concerns. For the complete story of its possibilities in your business, write Recordak Corporation (Subsidiary of Eastman Kodak Company), 350 Madison Avenue, New York 17, N. Y.

RECORDAK

(Subsidiary of Eastman Kodak Company)

originator of modern microfilming—and its application to business systems

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1

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HEADQUARTERS FOR BUSINESS INFORMATION

330 WEST 42ND STREET, NEW YORK 18, N. Y.

Mechanized Selling cost of making sales...

1

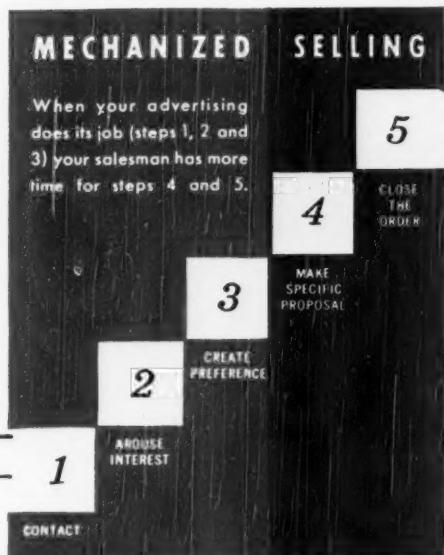
Mechanized Selling Makes Contact. This advertisement for the "Any" Manufacturing Company is a typical example of how the first three steps to a sale are speeded up through *Mechanized Selling*. For *Mechanized Selling is Advertising*. When the prospect reads this advertisement, and sees the identifying signature of the "Any" Company, a sales contact has been made! It tells the prospect WHO and WHERE the "Any" Company is, and WHAT it manufactures.

2

Mechanized Selling Arouses Interest. If the reader is a prospect for the kind of product the "Any" Company makes, he'll want to know more *because it's his business to be interested!* The "Any" advertisement shows him what the product looks like, how it works, what its chief advantages are. What a time-saver for the "Any" sales staff!

3

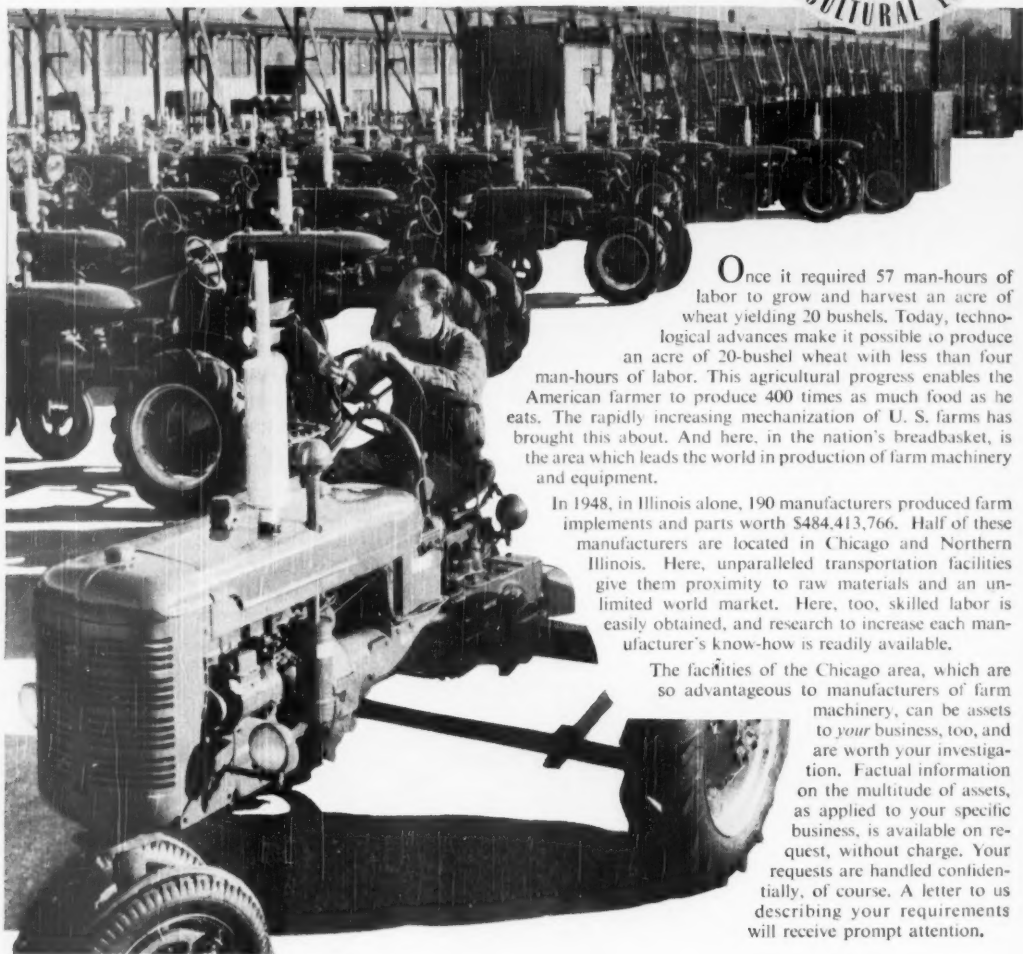
Mechanized Selling Creates Preference. Stressing the cost- and time-saving advantages of the "Any" Company's product, this advertisement creates a favorable regard in the prospect's mind. It opens the door for the "Any" salesman to apply his specialized abilities and limited selling time where they will do the most good. Mechanized Selling has lightened the burden the salesman must carry when he climbs those first three steps alone. **That's Mechanized Selling at work!**



YOUR SALESMAN is the most important, and the most expensive, factor in your sales program. Today, when the going is tougher and sales are harder to get, it is more important than ever to give him maximum support and all the time he needs for these last two vital steps. By freeing him from preliminary chores, MECHANIZED SELLING helps him concentrate on the crucial steps that get the order. You save dollars in selling costs when you tell your story through Mechanized Selling at a cost you can count in pennies per contact.

Have you read "ORDERS AND HOW THEY GROW"? This lively 24-page booklet tells about Mechanized Selling in the language of the man who needs it most—your salesman. We'll gladly send you a copy. We know it will interest you.

Nowhere else in the world is so much farm machinery produced



Once it required 57 man-hours of labor to grow and harvest an acre of wheat yielding 20 bushels. Today, technological advances make it possible to produce an acre of 20-bushel wheat with less than four man-hours of labor. This agricultural progress enables the American farmer to produce 400 times as much food as he eats. The rapidly increasing mechanization of U. S. farms has brought this about. And here, in the nation's breadbasket, is the area which leads the world in production of farm machinery and equipment.

In 1948, in Illinois alone, 190 manufacturers produced farm implements and parts worth \$484,413,766. Half of these manufacturers are located in Chicago and Northern Illinois. Here, unparalleled transportation facilities give them proximity to raw materials and an unlimited world market. Here, too, skilled labor is easily obtained, and research to increase each manufacturer's know-how is readily available.

The facilities of the Chicago area, which are so advantageous to manufacturers of farm machinery, can be assets to your business, too, and are worth your investigation. Factual information on the multitude of assets, as applied to your specific business, is available on request, without charge. Your requests are handled confidentially, of course. A letter to us describing your requirements will receive prompt attention.

Industries in the Chicago area have these outstanding advantages: Railroad Center of the United States • World Airport • Inland Waterways • Geographical Center of U. S. Population • Great Financial Center • The "Great Central Market" Food Producing and Processing Center • Leader in Iron and Steel Manufacturing • Good Labor Relations Record • 2,500,000 Kilowatts of Power • Tremendous Coal Reserves • Good Government • Good Living • Good Services for Tax Dollars.

TERRITORIAL INFORMATION DEPARTMENT

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**COMMONWEALTH EDISON COMPANY • PUBLIC SERVICE COMPANY OF NORTHERN ILLINOIS
WESTERN UNITED GAS AND ELECTRIC COMPANY • ILLINOIS NORTHERN UTILITIES COMPANY**

INTERNATIONAL OUTLOOK

BUSINESS WEEK
JANUARY 21, 1950



Don't underrate the "Peiping Affair"—last week's seizure of U. S. consular property in the capital of Communist China.

What the Communists did, in effect, was to break off diplomatic relations with the U. S. before they had begun. Peiping plainly posted a sign saying, "Americans, Keep Off."

As for the U. S., all the State Dept. could do was order American personnel home at once. That, and—for the present—drop plans for recognition of Red China later this year.

Who instigated this drastic Chinese step?

There's no way of knowing for sure, just yet. Chances are it was Stalin.

It's unlikely that Mao Tse-tung or Foreign Minister Chou En-lai did it on his own. Communist China needs trade with the U. S. In fact, Mao has said as much in the past.

Stalin's chief aim would be this: to fence off China from U. S. influence. The British would be kept around to act as trade agents for the Communists.

The Soviet dictator probably hopes, too, to break U. S.-British unity in the United Nations—over the question of whether the U. N. should recognize the Communists instead of the Nationalists.

If this analysis holds true, it follows that Moscow already controls Peiping's foreign policy.

You could expect Soviet influence in internal affairs to increase, too. This would come via Li Li-san and Liu Shao-chi—Moscow's two top stooges in China.

In judging the way the wind blows, look for the coming Sino-Russian treaty of alliance (BW-Oct.15'49,p119). Moscow expects to announce this treaty in a week or so—just before Mao ends his six-week visit to the Kremlin.

The Peiping ruckus puts the U. S. in a tough spot.

The Chinese Communists don't want to do business with Washington. And it's too late for Secretary of State Acheson to patch up affairs with the Nationalists.

What will U. S. tactics in the Far East be, now that we are out of China?

About all that is certain is this: Washington will have to rely more and more on: (1) a tight alliance with Japan to cover the North Pacific; and (2) cooperation with the British Commonwealth in southeast Asia.

It's too soon to be sure what Russia's walkout in the U. N. means.

One thing is clear, though: The Russians didn't leave simply to force early recognition of Communist China.

If recognition for Mao was all the Russians wanted, they would not have seized French property in China as well as American. Until that happened, the French and Egyptians were just about set to vote for Mao in the U. N. Security Council. Had both nations done so, Peiping would have had all the votes it needed.

What's likely is that the Yugoslav question is behind the Soviet walk-out. Stalin may be planning to deal with Tito this winter or spring. If so, he won't want his delegates put on the carpet in the Security Council.

As expected (BW-Dec.31'49,p55), the Commonwealth Conference at

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK
JANUARY 21, 1950

Colombo produced an aid program for southeast Asia. There's nothing dramatic about it, though. And the details still have to be worked out at Canberra (Australia) this spring.

But two important decisions were made at Colombo:

(1) Southeast Asia will get a little less help in the future from Britain itself. But the difference will be made up by Australia, New Zealand, and perhaps Canada.

(2) Recovery in southeast Asia needs help from the U. S., as well as the Commonwealth.

•
The scheme for a United Kingdom-Scandinavian economic union ("Uniscan") is badly bogged down.

Reason: Britain is finding the price too steep.

Sweden holds £40-million. It wants to use this to pay for imports from western Germany; to make investments in Denmark and Norway; to buy Brazilian coffee.

Denmark wants to use its surplus sterling for Argentine foodstuffs.

But this doesn't help Britain balance its own payments.

London wants to see Scandinavia hold its sterling until it can be spent on British goods.

•
France also is getting leery about knocking down trade barriers.

Last week a special cabinet committee started backtracking from the Bidault government's liberal position.

The committee warned against cutting import quotas much more. First, it wants Marshall Plan countries to adopt common policies on taxes, wages, social security, prices. These are the stumbling blocks that tripped an earlier try for a Franco-Italian customs union.

Finally, the committee has some doubts that Germany can be integrated into the western European economy.

•
It's not hard to figure why the committee is taking this line: Both labor and management in France have been at work behind the scenes.

France's metal-working industries, for example, strongly oppose plans for freer trade. Reason: They have to pay 25% more for their steel than their European competitors. So their protection is at stake.

There's another reason, too, for the growing fear of freer trade. Some officials think France's hold on its colonies would be challenged.

•
American investors are due for a better break in Australia.

The Menzies government is anxious to court U. S. capital.

So Australia will soon sign: (1) a treaty of friendship, commerce, and navigation with the U. S.; and (2) a tax convention to ease the burden of double taxation on profits.

•
Menzies' motive is more political than economic.

Australians are scared stiff by the spread of communism in Asia. They figure they are in a worse spot than they were in the thirties when Japan started its rampage.

It's U. S. help that Australia is counting on in case of trouble. So the new government apparently thinks it's time to get the U. S. in as a partner in the Australian economy.

BUSINESS ABROAD



Conservative Party posters plug for sounder management, while Labor promises to keep building the welfare state. These are the . . .

Issues in the Coming British Election

Voters go to the polls on Feb. 23. Rollback of past trends is impossible. The big question is: How much more socialism?

LONDON—When British voters go to the polls Feb. 23, they will give their verdict on socialism. But not on socialism vs. free enterprise. Instead, they will decide whether Britain is to:

Go deeper—and more irrevocably—into socialism under Labor, or

Stick with its present mixed economy under a Conservative government.

The issues won't be presented to the voter quite so sharply, of course. The Labor Party, in fact, will soft-pedal socialism as much as it can. And the Conservatives will damn Socialist misrule, extravagance, and regimentation—though without much talk of reversing what Labor has done.

There's good reason for these tactics. Neither party can win with the backing of only its own members. The outcome depends on how the unattached middle and professional classes vote. And this group—traditionally liberal—is not much interested either in more socialism or in a return of the Conservative policies of the thirties.

• **Advantage**—Labor, of course, had the advantage of picking the election date. And, by picking February, Prime Minister Attlee can boast of some gains since devaluation. Among them: recovery of Britain's dollar reserves (BW—Jan. 14 '50, p. 100); holding the retail price line; union acceptance of the government's wage freeze.

What Attlee won't mention is that prices and wages must rise soon, and that another dollar crisis may be in the offing about mid-year.

Prudent progress is the theme that party-manager Herbert Morrison wants to get across to the middle classes. So Labor will hammer home these accomplishments: maintaining full employment; expanding social services; providing 1-million new homes (including apartment units) since the war.

Labor's greatest strength comes from the fact of full employment. The fear of unemployment under a Conservative government is very real in Britain. But as an offset to this strength, there's the average Briton's impatience with controls. And there's a widespread fear of a coming economic blizzard too violent for the inexperienced Labor leaders to handle.

• **Opposition**—The Conservatives will do more than blast Labor's regimented rule and extravagance. Chancellor Cripps will get the blame for whittling down the British pound. By contrast, the Conservatives will promise to maintain the future value of savings. On the welfare state, including the free health service, the Tories say: "Me, too." But they promise more efficiency in the administration of this program.

Only Winston Churchill and a few close friends want to wage a hot anti-

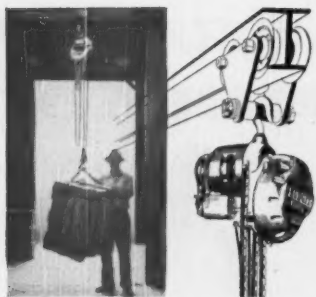
Red campaign. Lord Woolton, Conservative campaign manager, is against such strategy. He hopes to pick off a lot of Liberal votes. Also, Woolton has been promoting many workingmen as Conservative candidates. He thinks Churchill's thunder would lose votes in both camps.

The Conservatives have this advantage: The average Briton longs for an end to experiments, a more competent government, and freedom from controls. The Conservative weakness is the party's record: heavy unemployment and social inequalities in the thirties. It's this history that makes it hard for Woolton to establish confidence in the Conservative program.

Last week Churchill tried to start some fireworks by calling for the restoration of the British Empire. But this, too, revives memories of the Conservative prewar record and loses votes. Churchill's best chance of being Prime Minister again seems to lie in Woolton's cautious tactics—rather than his own.

• **If Labor Wins**—What's in the cards for Britain if the voters put Labor back into power? Here's what to expect of another Socialist government: planning and controls, the welfare state, nationalization.

Planning and controls will remain pretty much as they are now. True, new financial crises would bring pressure for more rigid planning. But Labor's moderate wing (with Herbert Morrison as spokesman) sincerely wants



How much it saves!

Depending on the kind of lifting job in which you install 'Budgit' electric hoists, you save from some to many minutes every working hour. In practically every instance, the 'Budgit' pays for itself quickly—and keeps on saving time and money. Workers like 'Budgits'. They make the job so much easier. No longer does the worker dread the dangerous rupture, the painful lame back or wrenched muscle. So his entire energy goes into much more productive work at much less cost. No installation costs! Trifling current consumption! Continuous daily savings! Install one for proof.

Made in sizes to lift 250, 500, 1000, 2000 and 4000 lbs. Prices start at \$119. Write for Bulletin No. 391.



'BUDGIT' Hoists

MANNING, MAXWELL & MOORE, INC.
MUSKEGON, MICHIGAN

Builders of 'Shaw-Box' Cranes, 'Budgit' and 'Load Lifter' Hoists and other lifting specialties. Makers of 'Ashcroft' Gauges, 'Hancock' Valves, 'Consolidated' Safety and Relief Valves, 'American' Industrial and 'Microsen' Electrical Instruments.

WRITES ON ANYTHING—
paper, wood, metal,
glass, etc!

MARSH 77
Felt-Point
PEN AND INK

Marks BLACKER than crayon. Draws SMOOTHER than pencil. Writes BOLDER than pen. On ANY surface, any color. Bold or fine lines. Pocket size. Everybody needs it for marking, addressing, sketching.

At stationers or send \$1.25 check or money order (pay C.O.D.) for Personal Set with 77 Pen, bottle black ink, extra felt point.

Felt-Point Pen Div.
MARSH CO., 90 MARSH BLDG.
Bellefonte, Illinois, U.S.A.

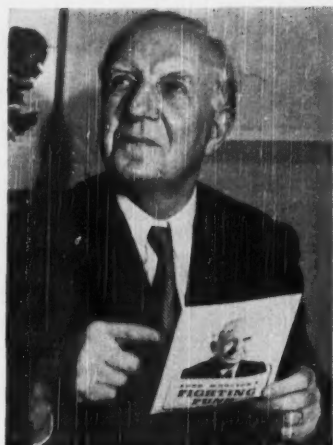
VALVE
CONTROL

BUSINESS OPPORTUNITIES

offered or wanted, personnel, financing,
equipment, etc. may be found in Business
Week's

CLUES

See page 108 of this issue



Conservative's strategist Lord Woolton.



Labor's campaign manager Morrison.

to try some painless deflation, go easy on planning, stress opportunism.

As to the welfare state, Labor's moderates again are warning: "No more welfare until we can afford what we've got." But pressure is strong from the unions and rank and file party members. It might push Labor into more social services.

That would mean peeling off another layer from the wealthy. So a capital gains tax (patterned after the U.S. variety) is likely. Another possibility is a capital levy, though this might not be tried for fear of driving capital out of Britain.

More nationalization? Government ownership of the iron and steel industry is in writing already. If Labor wins, the Iron & Steel Corp. will be set up and operating by the end of this year. Nationalization won't stop there. Structural engineering companies will be dumped in with the iron and steel producers. The government refused recently to let Dorman Long & Co., world-wide bridge builder, split its construction business from its steel production facilities, which are on the books for nationalization.

Cement, sugar refining, and industrial insurance—plus maybe Imperial Chemical Industries, Britain's chemical combine—are on Labor's list for nationalization over the next five-year period.

• **If Conservatives Win**—What changes would the Conservative Party make if it is elected? No radical rollback is in the cards. That's sure. The machinery of planning and controls can be dismantled only gradually as the price mechanism comes back into its own again. Until government expenditures are drastically cut (which would take at least two years), controls to curb inflation will have to stay put.

Conservatives talk of cutting state ex-

penditures and taxes at the same time. If they mean proportionate cuts on both sides, inflation will continue, and controls will have to stay. But the Tories could probably get rid of two important controls—on steel and housing. Both are now in adequate supply.

In the welfare state, the Conservatives would make only two important changes. One would be an overhauling of the medical services. For example, there would be no free second pair of spectacles or false teeth. But the basic "free" general health service would not be changed.

The second welfare change would be the end of food subsidies. However, to bring this about, the Conservatives might need a big majority in Parliament. The labor unions would fight such a move tooth and nail.

As for nationalization, the Conservatives would:

Repeal the Iron & Steel act;

Sell back the trucking companies that have been taken over by the State Transport Commission;

Decentralize the National Coal Board;

Set up a commission to review all the nationalized industries at regular intervals.

Businessmen hope, of course, for a really big cut in state spending if the Conservatives get in. Tax relief is foremost in their minds.

But tax relief now would release the unions from their commitment to a wage freeze. Wage demands would soon be pressed, supported by big, nasty strikes.

• **Unrest**—Thus a period of labor unrest could come if a Conservative government gets into power. But British businessmen seem prepared for this. They say it's the price that must be paid for the return to health.



We have a new one almost every year

This is one way to raise a large family. And that's just what Armco is doing. For additions to its fast-growing family of special-purpose steels are almost annual events in the Armco Research Laboratories.

And these improved steels enable manufacturers to build better value into the products they make.

Back in 1903 Armco developed special steels for more efficient electrical equipment. Many new electrical grades followed to contribute to the quality and performance of radio, television and household appliances.

The next "blessed event" was a special kind of iron as a base for a more dependable porcelain enamel finish on

kitchen ranges, tabletops and many other products. And there are ZINCGRIP, PAINTGRIP, ALUMINIZED, and a wide variety of stainless steels which help manufacturers make superior products for home and industry.

For more than 36 years Armco advertising messages have been reaching the general public and manufacturing and distributing channels, explaining how special-purpose steels add value and customer satisfaction to all kinds of products.

Many product manufacturers have found that the well-known Armco trademark gives them an extra sales feature worth promoting.

ARMCO STEEL CORPORATION

HEADQUARTERS AT MIDDLETOWN, OHIO, WITH PLANTS AND SALES OFFICES FROM
COAST TO COAST • THE ARMCO INTERNATIONAL CORPORATION, WORLD-WIDE





Ranks supreme in quality and permanence for letterheads, documents and policies. Write for sample book.
BYRON WESTON CO. DALTON, MASS.

PLYMOUTH *Chrysler Corporation* DE SOTO CHRYSLER

YOU GET THE GOOD THINGS FIRST FROM CHRYSLER CORPORATION

DIVIDEND ON COMMON STOCK

The Directors of Chrysler Corporation have declared a dividend of one dollar and fifty cents (\$1.50) per share on the outstanding common stock, payable March 13, 1950, to stockholders of record at the close of business February 14, 1950.

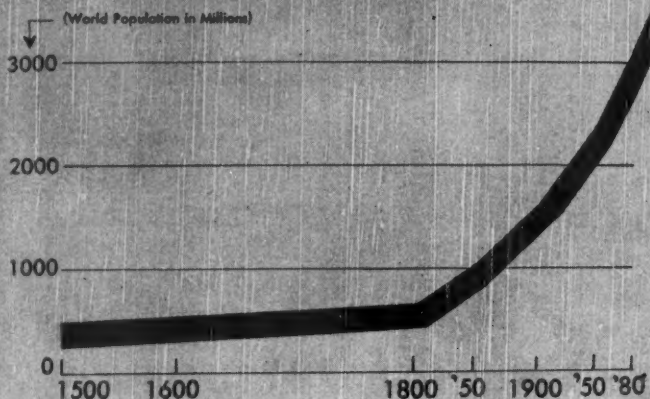
B. E. HUTCHINSON
 Chairman, Finance Committee

**It is
 FAST
 DIRECT
 EFFECTIVE
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"clues" non-display advertising to the active Management readership of *Business Week*, for **EMPLOYMENT — BUSINESS — EQUIPMENT "OPPORTUNITIES"** offered or wanted. Rate \$4.00 per line, minimum 3 lines. Count 5 average words as line. Box number counts as 2 words.

FOOD CHANGE AHEAD:

1. More People to Feed



2. Shift in Sources of Farmstuffs

(Agricultural Output in Percentages of World Total)

	1930-39	1960 -	1980
U.S. and Canada	14.1	11.8	5.7
Rest of America	11.6	14.1	29.7
U.S.S.R.	8.4	5.9	3.1
India and China	21.2	23.3	12.2
Southeastern Asia	5.9	5.0	9.1
Africa	9.9	10.9	22.1
Australia and New Zealand . .	2.1	2.2	4.2

Data: Colin Clark in the magazine *The Way Ahead* (Number 2-1949) © BUSINESS WEEK

Future Food: Too Much or Too Little?

Only just enough, says Australian economist. Population is growing, so farm prices will have to grow, too, to boost output.

Ask a U.S. businessman, farmer, politician, or farm economist to name the major agricultural problem of the future, and he's likely to say surpluses.

But that's not the only answer. Those American businessmen who are supplying capital and skills for industrialization abroad are bumping into another school of thought—that shortages, not surpluses, will be the world's food problem over the next generation.

This view dominates the planning of many Continental and British businessmen. Its chief exponent is Colin Clark, well-known Australian economist.

• **Enough, But—Clark's position:** The world can feed itself even if population increases—as expected—to 3½-billion in the next 40 years. But it will have to work hard to do it, and the effort will bring a considerable rise in agricultural prices compared to industrial

prices. It will also bring a shift in world food-production centers, with South America and Africa taking a much greater share of the burden than they have had so far.

Clark has summarized his analysis, bringing the facts as he sees them down to date, in an article published in the Dutch quarterly, *The Way Ahead*.

• **Practitioners**—His views on the future of food-producing countries have an immediate interest to the practical Dutch, who now share their Queen as well as many economic hopes with the United States of Indonesia. Indonesian rice is an important element in the world food picture, and the Dutch apparently believe Clark's point of view is the one on which to base their plans.

The British, too, are stepping up overseas food production.

I. Demand

Clark begins his article in *The Way Ahead* with a look at population trends. Since 1900 world population has been increasing at the rate of 0.75% a year; that's "faster than ever before," says Kingsley Davis of Population Institute, Princeton. Clark believes declining mortality and other factors will speed the rate of increase still more. He believes it is conservative to expect 1% gain per year over the next 40 years; this would bring population up to roughly 3.5-billion.

That big a rise, in a world where some 60% of the people live dangerously close to famine most of the time, can't help affect the world's food economy. But Clark sees an additional factor—a rise in the standards of diet. He believes this is a basic economic trend. Assuming only a steady course of economic development—without reckoning on food gifts from the U. S.—he believes total world food demand that people can pay for will be 2½ times greater in 40 years than they were in 1938.

• **1½% a Year**—It would take a yearly increase of 1½% in food production to cope with the 1% increase in population. Beyond that, even a "moderate increase" in the diet of the world's poorest-fed people would take another 0.5% increase in output (this would bring the world average up to about the prewar Italian or Russian standard).

So you get a needed 1.5% a year gain in food production. Clark puts the rate of gain of U. S. food output at 2% a year, a rate matched only by Australia, Canada, and New Zealand among the important food-producing countries.

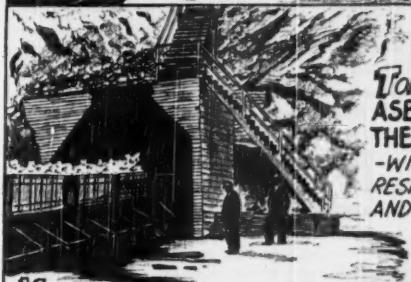
II. Supply

So much for the demand. Can it be supplied?

Yes, it can, says Clark, but only just

AMAZING ASBESTOS! By K&M

ANCIENT ROMANS
BELIEVED THAT "MAGIC ASBESTOS"
COULD BE FOUND IN THE
DESERT SANDS—
WHERE IT GOT
USED TO FIERCE
HEAT!



TODAY YOU KNOW THAT
ASBESTOS MINES YIELD
THE "MAGIC MINERAL"
—WITH ITS ROCK-LIKE
RESISTANCE TO HEAT
AND COLD... TO ANY
WEATHER!

YEARS OF TOUGH WEATHER
DON'T HURT K&M
ASBESTOS CORRUGATED
WALLS AND ROOFS
ON FACTORIES,
STORES AND
OTHER BUILDINGS.
MAINTENANCE
COST STAYS
DOWN!



The K&M Asbestos-Cement combination means strong, light, compact walls and roofs where K&M "Century" Asbestos Corrugated is used. Building structure can be made basically economical. Then come erection savings, because K&M Corrugated handles fast and fits right, particularly when "TOP-SIDE" Fasteners are used. Savings go on as K&M Corrugated defies sun and smog and freeze—rust and rot—rats and termites—fire, too. Not even paint is needed to keep K&M Corrugated lastingly serviceable and neat... lastingly economical... on any building. Write us for full data.

*© H & B Enterprise Corp.

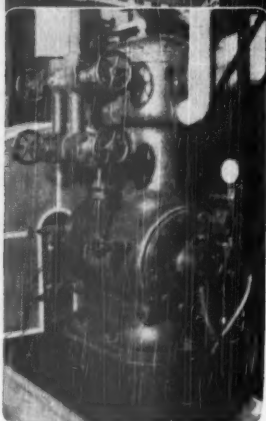
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Keasbey & Mattison has made it serve mankind since 1873

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One of the 15 Frick Compressors

FRICK Refrigeration

Serves Famous Biological Lab.

Pitman-Moore Company, Division of Allied Laboratories, Inc., recently celebrated its 50th anniversary as a producer of biologicals and pharmaceuticals for human and veterinary use. • Its plants at Zionsville, Ind., (shown above) and Indianapolis are equipped with 15 Frick machines totaling 92 tons of refrigeration. These are used for air conditioning, processing and storage work. Installation by Hayes Brothers, Inc., Frick Distributors at Indianapolis.

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- and only with two very important ifs:
- If the world's land resources aren't further depleted;
- If farm labor doesn't decline.

Scientific and technical improvement, applied the world over to a given amount of land by a given amount of labor, is yielding the 1.5% per year increase in production that's needed, Clark figures. So the two provisos constitute the big problem.

• **Flight From Land**—Clark does not develop the need for soil conservation, but he does point up the worldwide flight from the land. He believes it is accelerating, just at a time when it should come to a halt. But he also believes that a rise in income of the farm operator and hired labor is going to stop it.

As Clark sees it, the increased demand for food will cause agricultural prices and incomes to rise, until about 1980. He ignores the dollar shortage, with its attendant possibility of a U.S. surplus; this could bring falling prices here at the same time that a shortage in nondollar countries was raising prices.

Sometime around 1980, Clark says, food supplies may again catch up with demand. In the meantime, food prices will have to rise faster than industrial prices to stop the march from the plow to the assembly line.

Jan Tinbergen, Director of the Netherlands Central Planning Bureau, concludes that agricultural prices in 1960 will have gained 50% more than industrial prices over 1925-34 base.

• **Evidence**—Dr. L. J. Norton, chief of agricultural marketing for the Extension Service at the Illinois College of Agriculture, is now in Europe studying export possibilities for U.S. farm products. He found some late 1949 evidence that might support Clark's view of the world food trend.

"Price levels seem to be strong rather than weak to me," Norton reported recently. "All it takes is a little scarcity or a little buying and prices go up. Look at coffee. Look at wool. Look at cocoa. Look at our corn market when Europe came into the market." (Great Britain recently bought corn from Argentina at more than \$1.40 a bu.—our average support price.)

• **Industrialization**—Clark's conclusions about the price of food rest largely on his belief that China will industrialize and that Japan's industrialization will be resumed. An added factor will be the stimulation that India's freedom will give to its industrialization. And the Dutch plainly expect the United States of Indonesia to industrialize as fast as it can get the capital. Sooner or later, industrialization would mean higher living standards—and higher food demand. If Clark is right, there'll be enough food to meet these new demands.

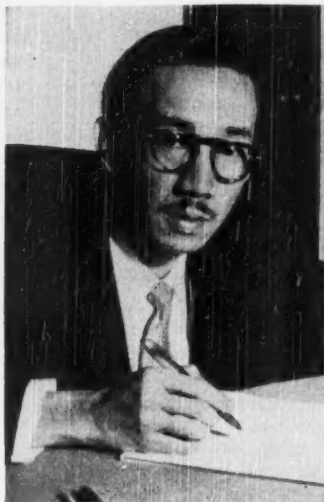
BUSINESS ABROAD BRIEFS

Capital by fiat: Colombia has ordered a 5% levy on all after-tax incomes of 10,000 pesos (\$5,150) to pay for expansion of steel mills at Paz del Rio. Government decree also orders savings banks to invest 10% of their reserves in bonds of the mills.

A French subsidiary set up by Dow Corning will make and distribute silicone products. Dow's partner in the operation will be St. Gobain, Chauny & Cirey, Europe's biggest manufacturer of glass. FCA has guaranteed convertibility of royalties and profits.

Indonesia and Kaiser-Frazer have talks under way that may lead to a Kaiser assembly plant at Djakarta, Batavia.

First Dutch locomotives built on home ground will be turned out under a licensing agreement between the Netherlands Railways and Westinghouse. The builders will be Werkspoor of Amsterdam and Heemaf of Hengelo. The initial batch of 25 locomotives will be used in the Netherlands; later production may go to export.



For U.S.I. in U.S.A.

The top ranking representative in the U.S. of the Republic of the United States of Indonesia is Dr. Sumitro Djojohadikusumo. He has been named charge d'affaires with the personal rank of minister plenipotentiary for the new republic. Dr. Sumitro will hold this rank until the exchange of embassies between Washington and Jakarta is formally completed. His offices will be in New York City.

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Getting Credit Control Into Shape Again

The congressional subcommittee on monetary and fiscal policy, headed by Sen. Paul H. Douglas, brought in its report last week. Committee reports in Washington are a dime a dozen, of course, but this one deals with a subject of vital importance—the need, now and in the future, for a strong, independent monetary policy.

The Douglas report makes a number of recommendations—including some that we disagree with. But its central theme is simple. Douglas wants to see the Federal Reserve System restored to its original position as an agency that regulates money and credit in the interests of the U.S. economy as a whole. He wants to end the wartime domination of the Treasury, which has been running the country's money markets to suit its own convenience as a big borrower.

Marching Orders

To put his ideas into action, Douglas wants Congress to pass a resolution giving both the Federal Reserve Board and the Treasury their marching orders. His proposed resolution would do two things:

(1) It would order the Federal Reserve Board and the Treasury to regulate credit and manage the national debt in ways that will contribute most to stability of production, employment, and prices.

(2) It would give the Federal Reserve Board the main responsibility for determining credit policies. The Treasury would have to make its operations fit into the broader policies that the board adopted.

All this makes good sense. In fact, it is the only approach to the whole complicated problem of debt management and credit control that does make sense.

Then and Now

To get the Douglas proposals in perspective, you have to take a look at what the Federal Reserve System is doing now, and then compare that with what it was supposed to do before the war.

When the Federal Reserve System was set up, back in 1914, its main object was "to provide an elastic currency." The framers of the original act tried to make the machinery for expanding and contracting the currency as automatic as possible.

As time went on, the Reserve System learned that no automatic controls work well enough to stop unhealthy expansions and contractions of credit. Gradually the Reserve Board took on the responsibility for regulating credit in a way that would help tone down the wild swings of the business cycle. It wasn't always successful, certainly, and it wasn't always consistent. But it acknowledged the responsibility. And little by little, it perfected the mechanics of credit control.

World War II put a new face on the situation. From the beginning, everyone realized that the Treasury would have to borrow enormous amounts of money. The Reserve Board quietly abandoned any idea of using

credit control as an anti-inflationary device. Instead, it concentrated on keeping credit easy so that the Treasury would find a ready market for its obligations.

In wartime, this policy was perfectly right. And no one can criticize the Treasury for wanting to play safe for a reasonable time after the shooting stopped. But the war ended in 1945. And today—more than four years later—the Treasury is still in the saddle. It still insists that monetary policy must be the handmaiden of debt management.

Rusting Weapons

As a result, the Federal Reserve Board sat out the great postwar inflation without ever making a real effort to check the expansion of credit. And in the summer of 1948, when the inflation reached its peak, the Reserve System was pouring new money into the market through its policy of buying government bonds to keep the prices from dropping below par.

We don't know, of course, just how effective an anti-inflationary credit policy would have been in the first three years after the war.

But we do know that while the inflation was roaring along, the Reserve System had two important weapons rusting on the shelf. One was its power to sell government bonds in the open market; that could have been used to tighten up the whole supply of credit. The other was the power to raise the rediscount rate; that would have stiffened the whole interest rate structure.

The Douglas resolution would instruct the Reserve Board to use these weapons the next time inflation threatened.

Obviously, tighter credit might inconvenience the Treasury. And it might, at some time in the future, increase the annual interest costs that the government has to pay on its debt.

But mere administrative convenience is never a good reason for following a policy. If the Treasury sweats a little, that will be too bad; but so do workers and businessmen who see their incomes chewed up by inflation.

As for the higher interest cost—nobody wants it if it can be helped. But it might be a cheap price to pay for heading off future inflation.

There is nothing academic or hypothetical about the problem that Douglas is raising. As we pull out of the 1949 recession, it is becoming more and more apparent that the country is threatened for years ahead by the danger of chronic inflation. Credit control alone won't be enough to head off that danger. But it is the best single weapon that we have. And it is doubly valuable because it is the only way of checking inflation without burdensome controls over individuals and businesses.

Congress has plenty of pressing business on its hands at this session. But there is little on the legislative program that's more vital than the problem of getting our credit controls into shape again.



Artist - Syd Fossum, native of South Dakota

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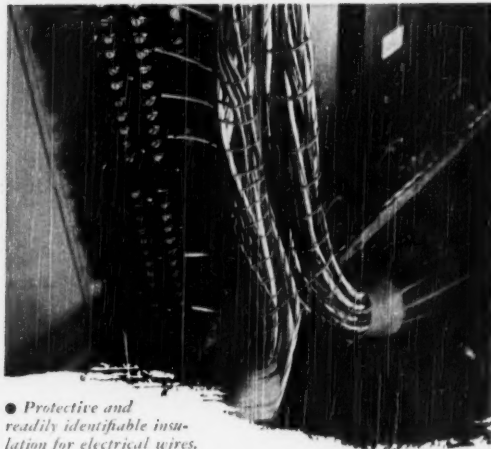
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